EMERGING TRENDS IN INSURANCE INDUSTRY

(A COMPARATIVE STUDY OF URBAN & RURAL SECTORS)

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CERTIFICATE

This is to certify that **Mr. Kamal Bhatia** has worked under my supervision for his thesis entitled ***"Emerging Trends in Insurance Industry (A comparative study of Urban and rural sectors)."*** for the degree of Doctor of Philosophy in Management in Bundelkhand University, Jhansi and that the thesis embodies the original work of candidate to the best of my belief. He has worked with me for more than 24 months.

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DECLARATION

I hereby declare that the present work entitled ***"Emerging Trends in Insurance Industry (A comparative study of Urban & rural sectors."*** being submitted for fulfillment for award of the degree of Doctor of Philosophy in Management. Is an original piece of work done by me. Under the supervision & guidance of **Prof. R.K. Saxena.**

To the best of my knowledge any part or whole of this research work has not been submitted for a degree or any other qualification of any university or examining body in India or abroad.

Kamal Bhatia

Date : 25-04-08

(Kamal Bhatia)

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Preface

The rapidly changing economic scene, the political attitudes, social values and structures, cultural patterns, as well as developments in IT have transformed life styles in urban as well as rural areas. Their cumulative impact introduces an element of uncertainty in the possible developments in the insurance sector. That the insurance industry is now poised for a sea change in several areas is no longer in doubt.

Developments in other parts of the world, which is witnessing sweeping changes in terms of convergence of financial and insurance markets such as through bancassurance; replacement of reinsurance contracts by financial instruments; sale of insurance through unconventional distribution channels; and consolidation through mergers and acquisitions, will also have their impact on the Indian industry.

With India's growing exposure to global markets, it is now being appreciated that the business of insurance with its unique features has a special place in the economy of a country for many reasons. The reforms in insurance also deserve to be described and dealt with in some detail.

Since the insurance industry is in a sense a 'reactive' industry, where external influences must occur before the industry responds, it is now expected that insurance should respond to every conceivable aspect of change. In particular, the present turbulence in the economy with its new forms of risks presents unprecedented challenges to the

capabilities of the insurance industry.

The existing insurance companies cannot be satisfied with concentrating on the consolidation of their existing markets, but have to achieve further growth and penetration. They must, therefore, concentrate on strengthening existing points of service, devising new channels of distribution, direct contact with their ultimate customers, and front-line employee empowerment. They also need to refurbish their marketing set-up itself. The newcomers, on the other hand, should give priority to tapping the market, left unexploited by the public sector companies.

Certain types of risks transcend national borders signifying the importance of more organized and reliable exchange of information among insurers from different countries. In respect of such large risks, consortia of national and international firms would be useful. This will particularly be relevant where heavy reinsurance through well-known foreign companies is involved. Because of this need, India will have to fall in line with the best practices adopted in other countries.

The three main factors used for determining the premium rates under a life insurance plan are mortality, expenses, and interest (meaning in this case, the percentage yield obtained on the life fund). Significant changes in any one of them should mean a revision of premium rates. Other aspects like bonus loading, taxation, and inflation also become relevant in the pricing exercise.

In Indian context, sufficient research and academic work has not been done in Insurance industry. Insurance industry which has primarily motivated the researcher to carryout in-depth investigation into the various aspects with reference to Urban & Rural sectors in India. Hence the researcher found sufficient ground and focussed his attention on ***"Emerging Trends in Insurance Industry with a comparative study of Urban and rural sectors."***

The business scenario of world is continuously changing and as a result there is rapid change in industry sector. It is for this reason that the importance of this service sector in the life of an individual is increasing day by day.

The **Chapter One** of this thesis presents on overview of the historical background of Indian Insurance industry, the birth of life insurance in India in 1818 & subsequently formation of the various companies during time period from 1818 to 1897. The chapter also describes the Insurance legislation in India & the Life Insurance Act – 1956. The period of complete growth 1980-1990 is also discussed in 1986 & the product diversification in 1990-1999 has been also covered up. The recommendations of Malhotra committee for reform in insurance Amendment Bill. 2001 & the introduction of private insurance companies in India are also mentioned other important elements that come under the framework are briefly discussed.

The **Second Chapter** deals with social device. The primary functions of Insurance, Life Insurance Business, coustomer protection, Life Insurance market, Insurance. Impact on general

people, Health Insurance, impact on the poor & the impact of globalisation in India are discussed at length with analytical approach. This chapter also take a serious note of LIC & GIC Branching network. Discussion also involves the Life Insurance & other savings. The General Insurance Industry in India & Insurance towards Rural & remote areas giving a comparative view of profitability V/s social services.

Third chapter deals with the new face of the Indian Insurance industry, the current reform process, the private sector growth, the non-life insurance sector, the achievements by the insurance potential, the health insurance scene in India, the mediclaim scheme, the employee state insurance (ESI) scheme, health insurance social security schemes for the poor, with their benefits and impact.

Fourth Chapter of the thesis specially deals with marketing of LIC & GIC, customer satisfaction, customer commitment in service marketing, the statistics of Life Insurance companies, marketing relationship and marketing for life insurance industry in India are covered up. Inception & working, the business & social objectives of LIC, Personal Loans, Housing Loans, Car Loans, Education Loans etc. are detailed.

Fifth Chapter includes methodology adopted for the research study. It invariably covers problem, process, design, objectives, nature, universe, sample, sources & methods employed for data collection, pattern of analysis undertaken & statistical tools employed, research design & limitations of study, formulation of Hypothesis etc.

with their significance and relevance. The methodology adopted is revealed.

The **Chapter Six** of this thesis deals with countrywide networking of branches of LIC & private players with locations & maps. The business & social objective of LIC is also discussed. The information technology for Insurance and the focus on customers is also discussed. The penetration of Insurance sector in India Insurance sector hardless centralization in metropolitan cities of Foreign insurance companies are covered up. The need to go for Rural insurance, product needs of Rural India, challenges ahead for life insurance is discussed. Performation of Insurance companies with reference to state run companies, Life insurance & rural sector, size of the rural market difficulties in operation of Rural branches. Need for Life Insurance in rural India. Problem of Rural Marketing are discussed with sufficient coverage.

The **Chapter Seven** deals with the market development customer expectations, product design & pricing, adequate information on products & services, Insurance advertisement, customer friendly documentation, politics & insurance in India. Globalization of Insurance sector, Role of IRDA, emerging areas, Insurance sector in India – future scenario, growth strategy for nationalized insurance companies is revealed. Approach towards rural insurance specialised insurance policy, rural insurance schemes in India, Cattle insurance, Foetus insurance, sheep & goat insurance, Camel insurance, Pig Insurance, poultry Insurance, Gramin Accident

Insurance, Janta Personnel Accident, Raj Rajeshwari Mahila Kalyan Bima Yojna, Kissan package policy & Rural group life Insurance Scheme are discussed and presented.

The **Chapter Eight** of the thesis is for the conclusion & suggestions. The need is that the insurance companies keep itself well informed about the market changes and refine & modify its policies, products & system as per the need of the people. The process of adapting to the changed market conditions must be smooth & fast to win the race. Vital suggestions given is that the LIC makes its policies people friendly & competitive towards Private players. Other important suggestions is that the Bancassurance has a good potential to grow in India the government must relax the norms of Bencassurance in the country. The companies give power to the broker's to appoint the sub-brokers rapidly & infrequent way to increase the business & to serve the customer in a professional way. The paying power of the non-urban areas may be on the rise, but they still cannot afford highly-priced products, so the companies must design its products at a affordable price. India continues to be a developing country and large section of the population do not have enough money to make their ends meet; hence insurance is generally their last priority. There is still a sizeable section of the population which is capable of insuring, but is not being insured. The most important reason is the credibility gap which has to be filled up. People have to be assured that if they pay the insurance premium they will be paid their claims at the time of need.

The insurance companies are piggy riding on other institutions like banks to sell their insurance. The world over insurance is sold rather than bought. Nobody feels the need to go & buy whereas in any other commodity you go and buy it, that cost of development has not taken place in insurance. I have an appeal for the people who want to join the insurance sector, including those having simple graduation -

"Get into the insurance subject & learn more about it through several insurance books available in the market, educate yourself more to have an edge."

Kamal Bhatia

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Acknowledgement

Insurance companies enable the entrepreneurs and the individuals to transform their risks to insurers at a price (premium) and thereby stimulate investment in the economy. The policyholders are in a position to convert their savings into insurance products which are both safe and liquid.

The Indian Insurance sector is passing through a transition phase with entry of new private players in the market. The global insurance majors have brought in new customized products and services to the market with greater focus on customers and extensive use of technology.

However, there seem to be little effort in exploring newer market segments and everyone seem to want a slice of the same pie. The penetration of insurance in India is in any case pitifully low with vast untapped markets waiting to be serviced.

"Life is a school of probability" – Walter Bagehot.

I associate with the world of insurance, during the current research work, in different ways & capacities. I also had the opportunity to interact with many experts across of the country. From them I obtained valuable inputs not just with regards to the technical aspects of insurance, but with respect to the practical side of the risk business.

At the very outset I would like to express my indebtness to my teacher & Supervisor **Prof. R. K. Saxena,** Director, Institute of

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I express my sincere thanks to all of my departmental teachers for their important suggestions and constant encouragement.

I would like to place on record the blessing of my parents Shri. Mohan Lal Bhatia & Smt. Maya Bhatia. My brother Mr. Vishal Bhatia & Sister in law Mrs. Pragya Bhatia who always accompained me with beam of torch and strongly supported me to fulfill this Herculean task & I also express thanks to my Sisters Mamta, Ila, Kiran, Pinki & Titu without which this work would not have been completed.

I would like to thank my numerous friends & well wishers who helped immeasurable in completing this work. To name some of them Mr. Manoj Kushwaha, Mr. Narendra Tripathi, Mr. Deepak Bhatia, Mr. Naveen Shukla & many more.

I have consulted & drew upon standard Literature in both the Indian & foreign languages for which I am highly obliged to the authors, editors & publishers of my work cited. Special thanks is due to numerous insurance companies (through their employees) & individuals who provided special assistance by providing materials, information, data or insights. The interacts & co-operation of executives in each of the companies is particularly & gracefully acknowledged.

Last but not the least I offer my special thanks with gratitude to all people whose efforts & contributions now escape my memory.

Kamal Bhatia

(Kamal Bhatia)

Chapter-I

INTRODUCTION

The story of Insurance is probably as old as the story of mankind. Uncertainty of any kind in life, results in involvement of risk. It is the quest for security against such risk that the concept of insurance was born. The Aryan tribes in India practiced some kind of commercial insurance 3000 yrs ago. The manuscript also supports the system of "*collective cooperation*" as practiced by the Aryans. Kautilya's Arthashastra also has reference where by people paid taxes to the king to be protected by him. As such, the king was to bring well-being and security to the people. The basic concept of insurance viz. taking care of the financial needs of a family in case of untimely death of the breadwinner or in the old age was fully taken care by the joint family system, which was guided by its basic objective of co-operation, tolerance, sacrifice, thrift and selflessness. The rapid industrialization and urbanization resulted in break up of joint family in the country giving birth of individualistic attitude, thus, shifting the responsibility of ensuring the security of a person, his family and property on individuals.

BIRTH OF LIFE INSURANCE:

In Babylonia, the roots of insurance were traced where traders were encouraged to assume the risks of the caravan trade through loans that were paid only after the goods had safely arrived. The Phoenicians and the Greeks to their sea borne commerce also applied a similar system. The Romans used burial libs providing funeral expenses for the members, and later payments where provided to the survivor's in the form of life insurance.

By the middle of 14th century, as evidenced by the insurance contract en: 1347 marine insurance was universal among the maritime nation of Europe. In *Lloyd's Coffee House* (1688) ship owners and underwriters met to transact business. Later on, it became the first modern insurance company. In 1693, the astronomer *Edmond Italley* constructed the First mortality table based on the statistical laws of mortality and compound interest. Joseph Dodson later on corrected in 1756 to scale the premium rate to age.

With the growth of British commerce in 17th and 18th century insurance developed rapidly. The First stock companies to engage in insurance were chartered in England in 1720 and in 1735. The First insurance company in the American colonies was founded at Charleston, s.c. Fire Insurance Corporation was formed in New York City (1787) and in Philadelphia (1794). After *1840,* Life insurance entered a boom period with the decline of religious prejudice. The classification of risks had begun in 1830's. In 1835, the New York fire called attention to the need for adequate reserves to meet unexpectedly very large losses. In Britain, the *Workmen's Compensation Act* (1897) required employers to employees against industrial accidents. In 1880, under legislation public liability insurance came into existence. Since the late 19th century, there has been growing tendency for the state to enter the field of insurance to safeguard the workers against sickness disability either temporary or permanent, destitute old, sick and unemployment. In World War II, the government provided life insurance embers of the armed forces.

LIFE INSURANCE IN INDIA:

The business of life insurance in India in its modern form came in India from England in 1818. The Europeans started the first Insurance Company on Indian soil the "*Oriental life Insurance Company*" in Calcutta, which was mainly widows of their community. The various companies formed during this time period is exhibited in the table below:

Table: 1

YEAR	NAME OF THE COMPANIES
1818	Oriental Life Insurance Company (Calcutta)
1823	Bombay Life Assurance Company (Bombay)
1829	Madras Equitably (Madras)
1834	Madras Widows (Madras)
1841	Medical Invalid and General
1860	Albert Life Insurance Company
1840	Universal Life Assurance Company
1847	The Christian Mutual
1849	The Tinnervelly Diocesan Council and Widows Fund
1852	The Bengali Christian Family Pension Fund
1875	Oriental Government Security Life Assurance Company
1896	Lahore Bharat insurance (Punjab)
1897	Empire of Indian Life Assurance Company Ltd.

PROBLEMS FACED:

The period of 50 years commencing with 1818, was one in which sincere efforts were made to write life business scientifically. The writing of life business was haphazard in the absence of mortality table. This was the

period of trial and tribulation and a number of companies were absorbed and amalgamated by other companies, or were forced into liquidation. In England during 1824 to 1868, 285 companies were formed out of which 174 ceased to exist by 1870. To counter this drawback, certain provisions were enacted by the British Parliament under the Insurance Act *1870* thus laying the foundation for writing life business in India & also paved the way for promotion of India Companies. The main provisions of the Act were;

All life offices should make uniform statements every year in a prescribed form and actuarial reports periodically.

A deposit of £ 20,000 was compulsorily to be made for every company and, composite companies should maintain separate life funds. In 1870, the first Indian Insurance Company "The Bombay Mutual Life Assurance Society" came into existence to cover Indian lives at normal rates. Earlier Indian lives were treated as sub normal and charged with an additional 15-20% premium. Another Indian life office was the "Oriental Government Security Life Assurance Company" which was established in 1875 by distinguished Actuary Mr. D. M. Slater. He visualized the importance of the role life insurance was to play in Indian economy and set out to introduce it in an organized manner.

In response to this, dozen rich and influential persons of Bombay lent their names to the promotion of the Company. In later years, this Company emerged as the leader amongst the Indian Insurance Company. Till the end of 19th century foreign insurance Companies dominated the insurance market and Indian lives were insured with 10% extra premium.

LAYING OF FOUNDATION:

The Swadeshi movement of 1905-1907 and the growth of Indian National Congress gave rise to more insurance companies; as well to do Indians realized the potentialities of Indian insurance business. During 1906-1913 many insurance companies were formed which is exhibited in the table below:

Table: 2

YEAR	NAME OF THE COMPANIES
1906	***United India (Madras)***
1906	***National Indian and Nation Insurance (Calcutta)***
1906	***Cooperative Assurance (Lahore)***
1907	***Hindustan Cooperative Insurance Co. (Calcutta.)***
1907	***Indian Mercantile (Bombay)***
1908	***General Assurance (Ajmer)***
1908	***Swedish Life (later) Bombay Life (Bombay)***
1910	***Asian Life***
1910	***The Central Assurance***
1910	***The Indian Equitable***
1913	***Asiatic Government Security***

The Swadeshi Movement of (1905), the Non-Co-operation Movement of (1919) and Civil Disobedience Movement of 1919, were milestones in the history of the Indian Insurance as these companies were responsible for

generating the spirit of Indianess. The need was felt to accumulate and utilize the financial resources of the country by inviting small contribution from people and turning them into profitable return in the form of life insurance policies, both to the individuals in the form of economic independence to the families and to the national economy by eliminating the drain of natural resources by the foreign companies operating in the field of Indian insurance. It was hoped; at that time that life insurance in its wider field of application would open up new opportunities to the younger generation for constructive natural services.

PERIOD OF GROWTH:

In India by 1919, Jupiter General, New India Vulcan Insurance Company etc came into existence. Later on, Laxmi Insurance Company and Andhra Insurance were started. The emphasis at that time was to put all the insurance companies with Indian companies.

At that time, the cause of Indian insurance became a material issue. Thus, the boosting of Indian insurance represented a means to extricate the Indian economy from foreign domination.

In 1924, national leaders gave concrete shape to nationalism and in 1925, a comprehensive Bill was introduced in the parliament, embracing all branches of insurance but later deferred further consideration pending the outcomes of additional investigation.

In 1928, the government decided to pass a '*stop-gap*' *legi*slation by amending the *Insurance Company's Act, 1912.* The main features of the Act were that it provided for collection of statistics including those from the

foreign companies. It also provided for the disposal of surplus assets in the event of liquidation of an insurance company in the same proportion amongst policyholders and shareholders as profits were distributed.

The first two decades of the 20th century marked the beginning of the major Life insurance companies in India. They grew in terms of number of companies, in terms of number of polices and sum assured as well as total life fund.

The Indian *Insurance Year Book* published for the first time in 1914, gave the figures of the total business in force as Rs.22.44 crore which grew to Rs.298 crore in 1938. In 1914, only 44 companies were transacting insurance business in India, which increased to 176 in the next 25 years. There was total progress on all the primary heads - life fund, premium income and new business. The inter-war year thus, saw rapid growth of life insurance services in India.

The mushrooming of life insurance companies and its unhealthy growth was harmful to the interest of the policyholders and insurance business in India. In response to the need for amendment in Insurance Act, Government of India in 1934 appointed a well-known solicitor, Mr. S.C. Sent to study and report on the subject of Amendments of Insurance law. The recommendation of the committee was considered and in 1938 "*Insurance Act-1938*" came into existence.

The various insurance companies during 1930-1938 were as below:

Table: 3

YEAR	NAME OF THE COMPANIES
1930	*Bombay Cooperative*
1931	*Federal India*
1932	*The Servants of India*
1932	*The Sunlight of India*
1934	*Free India General*
1934	*The Indian Insurance*
1935	*The Indian Economy and the Vishal Bharat, The Hercules, The Adarsh Bima, The Hindustan Mutual*
1936	*The Pathadum, The Sylvan star and Bubby General*
1937	*The Vanguard, The Rajasthan*

NEED FOR NATIONALISATION:

The malpractices of private insurers created need for nationalization of insurance business. The huge swindling of life insurance funds by the management of private insurers has to be avoided. Investment in government securities was declining and, the findings revealed misappropriation of several crores of insurance funds by the private insurers. The directors misappropriated the private securities, which were purchased at higher rates and later on sold at lower rates. The Insurance Act 1938 failed to put a check on the unfair practices prevailing at that time. The then Finance Minister Shri Deshmukh stated “The misuse of power,

position and privilege that we have reasons to believe occurs under existing conditions is one of the most compelling reasons that have influenced us in deciding to nationalize life insurance".

Thus, the main reason behind nationalisation was to safeguard the public money. Another reason was to spread the purpose of life insurance in the every nook & corner of the country especially in the rural areas. Yet, another reason was to mobilise the savings of the people towards economic development and to provide adequate and prompt services to the policyholders.

NATIONALISATION OF LIFE INSURANCE:

On 19th Ian 1956, the then Finance Minister-Shri C.D. Deshmukh announced:

"This afternoon the government has promulgated an Ordinance regarding life business. All life insurance companies, Indian as well as foreign, doing business in India came under government management and control. This is the first and preparatory, step towards the nationalisation of life insurance".

On 20th Jan' 1956, all life insurance company were taken over by 43 nominated custodians, who were senior executives of private insurance companies, reporting directly to the Finance Ministry. For 7 months and 12 days (20th Jan'1956 to 31st Aug'1956), the Government of Indian retained the management of LIC. During this period, they also got the Ordinance replaced by an Act of Parliament known as 'Life Insurance (Emergency) Provision's Act 1956. They managed the Insurance Company till 1st Sept'

1956, when LIC was established under the general direction and control of the Ministry of Finance.

With the enforcement of "Life Insurance Corporation Act' 1956" all assets and liabilities pertaining to life assurance business in India were to be transferred and vested in LIC of India. The LIC of India came into existence on 1st Sept' 1956 with capital contribution of Rs.5 crore from the Government of India having zonal offices, 33 Divisional offices and 212 branches and sub-offices all over India at 97 centres. Mr. H. M. Patel was its first Chairman. The process of creating a major institution was unique with shaping its letterheads, emblem, sign, boards, seals, and structure of offices, rules, procedures, designations and responsibilities and so on.

GENESIS OF LIC OF INDIA:

The management of the controlled business of all insurers-154 Indian life insurance offices, the Indian business of 16 Non-Indian insurance and 75 provident societies operating in India vested in the Central Government. These companies retained their separate entities and their ownership continued with the shareholders or the members. The government appointed the custodians, who took over the management from the people in charge of the management of the business immediately before this date. The insurers were paid compensation for every month during the period of such vesting of management in the government at the rate of 1/12th of the annual average of the share of the surplus allocated to shareholders during the last two actuarial investigations.

The Corporation set up under this Act was ((Life Insurance Corporation of India (LIC)" which started functioning on 1st Sept' 1956, for the purpose of servicing of policies issued before 1st Sep' 1956. Integrated Head office and Branch offices were created at that time. The Corporation also took over foreign life business of the Indian Insurance. The Corporation thus, became the sole agency for carrying life insurance business in the country, only exception being the Postal Life Insurance and the Compulsory scheme of life insurance for State Employees carried on by some state governments with the prior approval of the Central Government.

Earlier in 1956, for 8 months the Government of India managed the life insurance business and for the remaining 4 months it was taken over by LIC. The various factors that contributed towards the decline in business, was inadequate technical experienced staff at various offices, change in certain polices reduction in premium rates replacement of old polices by new once etc.

Inspite, of the unfavorable conditions, the good performance of LIC was mainly due to spirit of endeavour at all levels of organizations and the confidence of the people in the newly born Corporation. The nationalization induced the feeling of the necessity of life insurance. The year 1956, witnessed some set back in the business mainly due to change in management. The economic conditions in 1957 were not encouraging as with money position tight, the investors displayed lack of confidence and there has been rise in the cost of living with no corresponding increase in income levels. Several parts of the country, suffered from famine due to floods and drought, but the new business of Rs.281.9 crores by the end of

Dec' 1957 was the highest ever recorded in the history of Life insurance till then.

RISE OF THE CORPORATION:

Group Insurance and Superannuation schemes were introduced in 1957, to expand the scope for life insurance business. Group Insurance was designed mainly to protect the dependents of the employees in the event of their premature demise and, in case where pension benefit is included the scheme ensures carefree independent retirement for the employees. The Corporation also introduced Salary Saving Scheme in the middle of the year 1957, which was mainly to help the salaried employees to pay their premiums regularly. The Corporation in certain selected areas introduced Janta Policy Scheme on a pilot project basis in 1957. The distinctive feature of the scheme was the collection of premium at the doorstep of the policyholders.

Since 1957, the Corporation has been progressing. The business raised from Rs.187.69 crores (1956) to Rs.734.72 crores (1962-63) a rise of 48.57% over 1956 figures. It revealed the enthusiasm of the LIC workers towards achieving set target. At the time of nationalization, the total investments of insurers amounted to Rs.341.40 crores. At the end of 1957, total business stood at (including bonus) Rs.1474 crores under 56.86 lakhs of policies. Out of this, Rs.1375 crores represented life insurance business in India and 99 crores policies business out of India. One of the main reasons, to nationalise life insurance business was to promote confidence and expand the business in those regions or segment of the population that

was left untapped or the privately managed industry failed to reach. It also aimed at providing economic security to every Indian national. The table below exhibits the figures of new business for the year 1953 to 1957.

EXPANSION OF BUSINESS DURING ESTABLISHMENT YEARS:

(Sum Assured in Crores of Rs.)

Table: 4

YEARS	IN INDIA		OUTSIDE INDIA	
	NUMBER OF POLICIES	SUM ASSURED	NUMBER OF POLICIES	SUM ASSURED
1953	*561336*	*155.20*	*30441*	*14.66*
1954	*724365*	*236.34*	*32682*	*17.65*
1955	*770681*	*238.30*	*35461*	*20.33*
1956	*549652*	*187.69*	*17956*	*12.59*
1957	*787530*	*276.50*	*5055*	*5.40*

Diagram: 1

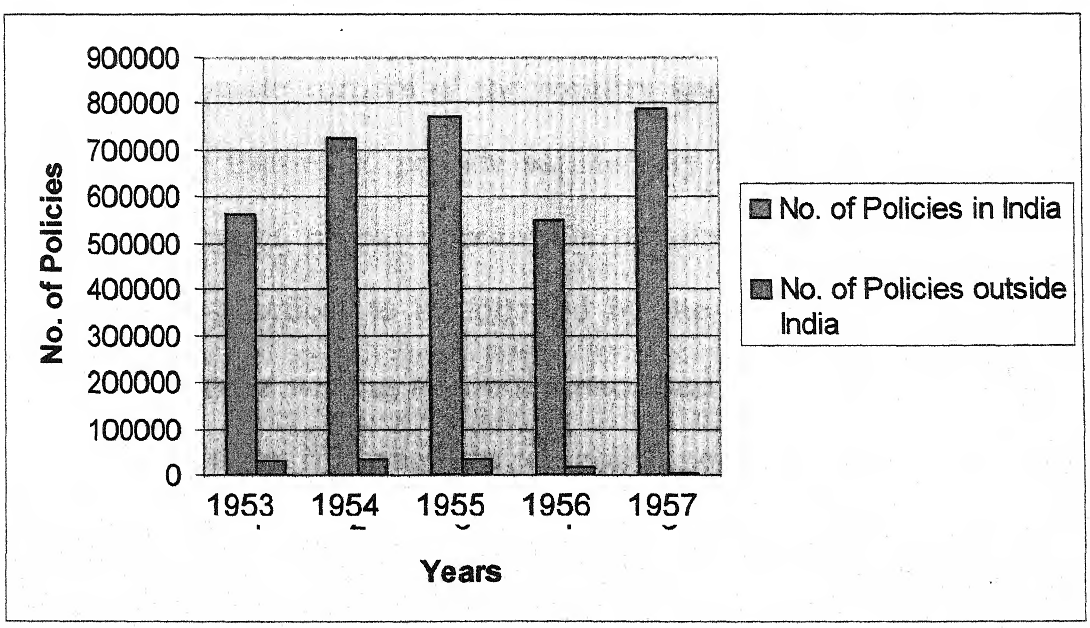
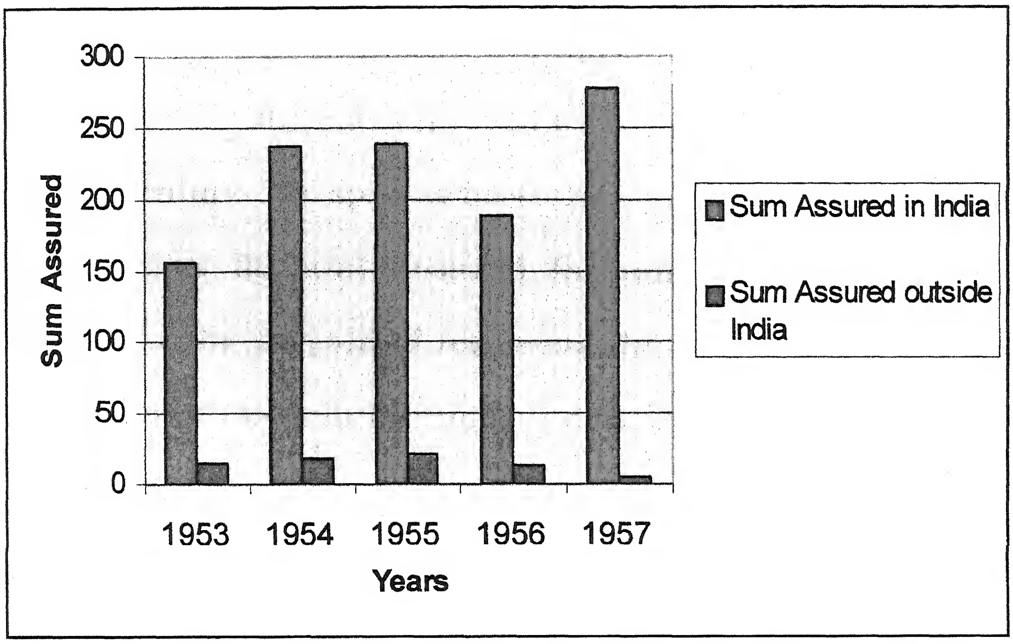


Diagram: 2



In the initial years, the Corporation received appreciation for achievement, but also faced certain difficulties. The main task was to build confidence among the insuring public. A strong network was needed to reach every corner of India; to educate the people in terms of making them understood the concept of life insurance. People were communicated by the LIC, in all the major language and all effective medias were used to spread the objective of LIC and popularise its name and symbol. Various offices were opened in the remote corners of the country and to impart better services, personnel's were trained to provide satisfactory services to the people. The actuarial department prepared manuals on almost all the administrative procedures and practices to be followed by the corporation in the area of new business under writing and administration and policy servicing steps were taken towards liberalization of rules pertaining to adjustment of premium deposits and revival of policy and announcement of claim concession to facilitate settlement of claims.

INSURANCE LEGISLATION IN INDIA:

The *Indian Company's Act-1883* was applicable to all kinds of business concerns therefore; there was no need for separate act for insurance till the end of 19th century. The spirit to boost the insurance activities in India gave birth to various financial unsound Insurance companies, which failed miserably. For the purpose of regulating the activities of such companies and to prevent them from becoming speculative in the life market, a need was felt to put a check and control on the operations of the life offices so that they would act on actuarial principles.

Therefore two Acts were passed in 1912 for governing only life insurance namely:-

- *Provident Insurance Societies Act V of* 1912, *and*
- *Indian life insurance Company's Act VI of 1912*

Before 1912, in India there was no legislation to regulate the insurance. The passing of *Life Insurance Company's Act-1912,* a control was exercised over the Indian life offices by requiring that the rate tables and periodical valuation be certified by an actuary. The Act favoured the foreign companies by introducing discrimination between them and the Indian companies. The Indian insurers under the Act were required to make deposits with the Government whereas; the foreign company insurers were exempted from it. Public bodies, commercial associations and national leaders demanded that the government disclose the business detail of the non-Indian companies.

The legislation in India was confined to only life business because there were few General Insurance Company's. *Provident Insurance Societies Act-1912* governed the Provident Insurance Societies, which were engaged in

using life policies worth Rs. 1000/- or less and marriage and disease policies of very nominal amount. The drawbacks of the above two Act which necessitated for replacement of the Insurance Act-1912 were:-

The people failed to judge the position of the company in absence of any regulation pertaining to investment. Lack of negative action on non-compliance of rules and regulations.

Foreign companies were exempted from submitting reports regarding business done in India, which failed to give any idea of cost of procuring business in India and comparing with Indian companies. The Government Actuary's were lacking the power and authority to order investigation into the conduct of companies, which appeared to be insolvent. Encouraged mushroom growth of companies, as very small sum of Rs. 25,000 was required to start life insurance business.

The above drawbacks paved way for the government to place a bill for amendments of the Act in 1924, which contained wide scope of business. A *Stop-gap* legislation was passed in J 928 by the Government of India with the main object of collecting statistic regarding the matters related to insurance which would be utilised later on at time of passing the comprehensive Act.

For modernising the insurance legislation in India, the Government appointed one special officer whose report on required reform of legislation in 1935, was considered after making few changes and the bill was introduced in the legislative assembly in 1937 and a new "*Insurance Act-1938*" was formed. The committee in their draft Bill recommended the fall.

- A separate department of insurance to be set up to supervise the working of all companies operating in India, to protect the interests of Indian policyholders.
- Every insurance company was required to obtain a license from the Government to enable it to commence and carry on insurance business in India.
- Substantial deposits should be obtained from Indian and foreign companies in respect of each class of business.
- To protect the interests of Indian policyholders, non-Indian companies operating in India should keep in British India sufficient assets by way of reserves to enable then to meet all outstanding risks in respect of each class of insurance business carried on by them in India and these assets should be kept in trust for the sole benefit of policyholders in British India. The Indian companies should invest a moiety of its capital and surplus funds in securities authorised by Section 20 and Section 20A of the Indian Trust Act.
- There should be provision for registration of agents and prevention of rebating, and,
- There should be provisions for annual return, submission of actuarial reports, investigation, amalgamation and transfer of business and winding up.

The Committee strongly recommended for effective protection to Indian insurance companies by ensuring them against the non-Indian company as to restricting them from granting license for transacting insurance business in India for next 20 years (both life and non-life insurance business).

Compulsory reinsurance with Indian insurance companies of a certain percentage of all polices issued by non-Indian companies in India was yet another recommendation made by the committee to provide direct protection to the Indian Insurance Companies.

Taking into consideration the above recommendations, finally a draft bill was presented in the Legislative Assembly piloted by Sir N.N. Sarcar in Jan' 1937, which resulted in the Insurance Act-1938.

INSURANCE ACT-1938:

"*Insurance Act* –1938" was a well balanced a first comprehensive legislation governing life as well as non-life insurance to provide strict state control over insurance business. It also dealt with separate sub-sections with provident companies, mutual offices and co-operatives societies as well. The salient features of the Act were as follows:

- *The Act was applicable to all types of insurance business that were carried out by companies incorporated in India.*
- *Prohibiting individuals to carry on insurance business after the commencement of the insurance Act.*
- *Requirement as to working capital of the insurer and maintenance of register of member's along with the shares.*
- *Provisions for deposits with the RBI either in cash or in approved securities, to prevent insurers of inadequate financial resources or speculative concerns from commencing business.*
- *Registration certificate to be obtained from controller for carrying on any class of insurance business in India.*

- *Constitution of a Department of insurance under a superintendent vested with wide powers of supervision and control over all kinds of insurance companies.*
- *Periodical valuation for Indian business of foreign companies and the business of Indian companies.*
- *Prohibition of rebating, restriction of commission, licensing of Agents maximum rates of commission were fixed at 40% of the first year's premium, 5% of a renewal premium, and* 15% *in case of business of any other class of life assurance business. The agent must be licensed for the purpose of soliciting or procuring insurance business.*
- *For prevention of the misapplication of assets and for their preservation that the funds are safely invested provision was made that* 55% *of net life liabilities of Indian or non- Indian insurers should be invested in Indian Government and approved securities with at least* 25% *in Indian Government and Approved securities. All other companies i.e., foreign companies must invest 100% of their Indian liabilities in Indian Government and approved securities with at least* 33.3% *in Indian Government securities.*
- *Prohibition on granting loans on temporary advances except loans on life policies.*
- *Power to the Central Government so as to investigate the affairs of any insures.*
- *Provision for policyholders, directors making it possible for the representatives of policyholders to be on the Board of Directors.*
- *Under standardisation of policy conditions, all companies were required*

to file standard forms and tables of premia approved by an Actuary. The initial deposit for life insurance business was raised from Rs. 25000/- in cash or approved securities.

The efficiency of the above law was proved by an effective check on large scales liquidations, which had marred the name of insurance in the thirties. The Act marked the culmination of two decades of strenuous efforts for control over insurance. Many non-Indian insurance offices stopped their actuaries in India. Indian life offices altered their policy terms, conditions, organisation, prospectus etc. to confirm the new Act.

"The Act, effective from first July, 1939, contained many mistakes, contradictions and unclear provisions, necessitating two amendments in quick succession in 1939 and 1940". In 1939, *1940,* 1941, 1944 *and 1945 various amendments* Acts were passed to the existing 1938 Act to cover issues like:

- *Control on deposits*
- *Creation of a superintendency of insurance with wide powers of*
- *Supervision and control.*
- *Investments*
- *Prohibition of rebating*
- *Policy holders directors*
- *Returns and*
- *Abolition of managing agencies.*

"In April 1945, under the chairmanship of Sri Cowasji Jehangir a committee was appointed to inquire into the undesirable developments in the management of insurance companies in India, and to recommend measure

to the various manipulations in fund, policies, mismanagements in the provision's of the insurance Act containing".

- *Restriction on transfer and acquisition of shares and certain provisions regarding capital structure of companies.*
- *Restriction on investments of the remaining 45% of funds of life insurance companies.*
- *Restriction on emoluments of financiers or officers of the companies.*

The Bill which was introduced in April'1921 following Sir Cowasji Jehangir Committee Report was passed by the Indian Parliament as "Insurance *Act 1950"*. The main provisions of the Act were as follows:

- *Drastic changes were introduced in the regulations for control of insurance companies.*
- *The superintendent of insurance was redesigned as the controller of insurance with wider powers.*
- *Statutorily recognized bodies like Life Insurance Council and General Insurance Council were set up as autonomous bodies to guide the matters of limitation of overall expenses through the respective executive committees.*
- *The appointment of Administrator to manage the business of financially unsound concerns was provided for.*
- *Interlocking of interest between insurance companies and banks were prevented.*
- *Controller of Insurance was given the power for inspection of the insurer's books.*
- *A class of approved investments was instituted, and the minimum*

proportions of Indian life fund that should remain invested in Government securities and securities of approved Investment, were refixed.

Amendment in the above Act resulted in reduction of 50% of assets equivalent to policy liabilities required to be invested in Government and approved securities. Further restrictions were placed on the nature of investment of the balance funds. The Amended Act had good effects on life, insurance business in the country. During this period, the executive committees of the insurance councils contributed towards achieving higher standard of conduct and sound business practices but the harm done by the unscrupulous insurance men invited public demand for nationalisation.

LIFE INSURANCE ACT-1956 MAIN PROVISIONS:

The Insurance Act namely "*Life Insurance Act*-1956" was formed to the life insurance business in India. The main features of the Act are as follows:-

- The Corporation shall function as far as possible on business principles and to the best advantage of he community will be the general duty. It shall have power to carry on capital redemption annuity or reinsurance in life business subject to provisions of the Act.
- The formation of Life Insurance Corporation automatically affects transfer of all employees of LIC in respect of controlled business to the employees of the Corporation under certain prescribed conditions; the transfer includes the employees working as chief agents.
- All the assets, liabilities rights and title of insurance and obligations in

respect of controlled business stand automatically transferred to the Corporation on the appointed day.

- The transfer of business includes the transfer of provident superannuation and other funds to the Corporation.
- The transfer of the controlled business will include all contracts, agreements and other instruments subsisting or having effect immediately before the appointed day and all suits, appeals etc. pending by or against such an insurer be constricted as pending by or against the Corporation. In fact, that of the Corporation shall substitute for the name of the insurer concerned in the above instrument and proceedings.
- All contracts between insurance and chief agents and between Insurers or Chief agents and special agents pertaining to controlled business shall cease.
- The Central Office of the Corporation shall be at a place as notified in the official gazette by Central Government.
- Setting up an executive committee entrusted with special duties in management with not more than 5 members by the Corporation along with investment committee and other committees.
- 95% of the surplus disclosed at the valuation shall be allocated to or reserved for the policyholders and the rest after meeting liabilities if any may be utilised for the purpose the Central Government thinks fit.
- The Corporation shall after the end of each Financial year prepare and submit in the prescribed form a report of Corporations activities during the previous financial year to the Central Government and also

account of the activities to be undertaken in the next financial year.

- The report referred to in Section 25, 26 and 27 shall have to be laid by the Central Government before both Houses of the Parliament.
- The Central Government guarantees the sum assured by policies issued by the Corporation and bonuses declared. For those polices issued before the appointed day provisions of Sec.14 (37) was applicable.
- The policy amount under policy contracts entered before 19th Jan' 1956 can be reduced by the Corporation on grounds of financial consideration but in accordance with the scheme prepared by the Corporation approved by the Central Government may constitute one or more tribunals each consisting of 3 members appointed by that Government one of whom shall be a person with the standing of a High Court or Supreme Court Judge. Each tribunal shall have the powers of a Civil Court and shall have power to regulate its own procedure and review any of its decision in the event of errors in records.
- Corporation can obtain relief in respect of loss caused by insurers' misdeeds in specified cases only. The tribunal shall have exclusive jurisdiction in determining and assessing such losses and as ascertaining the responsibility of the person concerned for such losses.
- Life Insurance Corporation Act will not apply in following cases.
    - An insurer under winding up process.
    - Any insurer to whom the Insurance Act 1938 does not apply.

- Any composite insurer placed under an Administrator under sec. 52A of insurance Act
- The Post office Life Insurance Fund.
- Any approved superannuation fund and
- Any scheme prepared by the Central or any State Government under which compulsory deductions from the employees salaries are made against payment by the Government in the event of the employees death or happening of any contingency dependent on life.

On 30th Aug' 1956, Central Government issued notifications in the Gazette of India Extraordinary [vide SRO Number 1937, 1938, 1939- Number 107(2), 56] appointing 1st Sept' 1956 as the date on which Corporation called *"LIFE INSURANCE CORPORATION"* was established with Shri H. M. Patel as chairman and 14 persons as members, and specifying Bombay as the place of the **Corporations office**. LIC came into existence with 5 *zonal offices,* 33 *divisional,* 212 *branches and sub offices allover India at* 97 *centres.*

PERIOD OF CONTINUOUS GROWTH AND PROGRESS:

Inspite of the problems, poised by World War-II in the shape of decline in overall business, increase in expenses, depreciation in the value of securities, the Indian insurance sector managed to recover from this crisis. The year 1943 was the period of steady and progressive increase in the volume of new life insurance business. The year 1946, proved to be the peak year for new business for the insurers.

Table: 5

YEAR	VOLUME OF NEW BUSINESS (CRORE OF RS)
1943	*62.94*
1944	*95.20*
1945	*122.78*
1946	*131.40*

(1947-1955)

On 15th Aug 1947, India won freedom but it paid heavily for, by the partition of the country. The business of insurance declined due to the consequences faced by the country after the partition. The decade after the war seemed to be impressive as regard the progress of life insurance in India as the foreign life insurance companies had to be shut down following competition from the Indian insurance offices. The share of foreign life insurance offices declined to 7% and the business of India insurance increased, owning to competition amongst them. Despite, the overall good performance and record progress in the country the need was felt to tap the rural sector.

Table: 6

YEAR	TOTAL NEW BUSINESS (Rs. in CRORES)
1957	*276.50*
1958	*337.45*
1959	*417.88*
1960	*486.02*
1961	*598.79*

PERIOD OF FLUCTUATION IN BUSINESS:

The period 1963-64 to 1966-67, was a period of relative stagnation in new life business of LIC owning to intensification of inflationary pressures, as the salesman were experiencing difficulties in persuading the people specially those of lower income to save for life insurance. The position improved in 1966-67, but only in terms of sum assured (Rs.845 crores). The Corporation introduced " Own your home" scheme to facilitate loan facilities to policyholders.

Table: 7

NEW BUSINESS

YEAR	NEW BUSINESS (Rs. in crores)
1962-63	745.96 Crores (for 15 months)
1963-64	702.76 Crores
1964-65	701.08 Crores

In 1968-69, LIC reached the landmark of Rs.929 crores sum assured business. On 31st March 1970, it completed business of Rs.I035.57 crores fulfilling the target set earlier, and an increase in business resulted in increase in the annual income of the Corporation. The life fund increased from Rs.380.61 crores in 1956 to Rs.977.56 crores in 1966. Fall in outstanding claim ratio from 0.6% in 1956-57 to 29.7% in 1966, exhibits the sincere efforts on the part of the Corporation towards providing customer satisfaction.

The year 1968-69 was also significant in the sense that for the first time in the history of the Corporation, an agent completed a business of over Rs. 1 crores. The reason for the decline in the business, was mainly due to

rise in cost of living, introduction of compulsory deposit schemes, national calamities, fall in agricultural output, and destruction caused by Pakistan attack.

PERIOD OF GROWTH:

The year 1970, witnessed the celebration of 100 yrs of life insurance (1870-1970). The centenary year witnessed an enormous change in the outlook of the employer-employee relationship in the Corporation at all levels. More progressive steps were taken to spread the gospel of insurance. The 'Centenary Policy' was introduced with effect from 1st May' 1971, to meet the needs of those sections of society whose incomes were prone to fluctuations (agriculturists).

Group insurance and Mass insurance concepts were worked out mainly to enable people with lowest income to have protection through insurance. Even the concept of deposit-linked life insurance was to be extended on a mass scale. During this period, the Corporation faced several problems including the competition with other financial and investment institutions. The interest rate on bank deposit for more than 5 years increased from 4.25% w.e.f. 1st April 1937 to 8% w.e.f. 1st April 1974 further to 10% w.e.f. July 1974.

As a result of increase in the interest rate the people showed their inclination towards the bank deposit and the aggregate deposit with all scheduled commercial bank increased from 5906.17 in 1970-71 to Rs. 14022.80 Crores in 1975.76. The various saving schemes offered by Post offices and the bank gave a tough competition to LIC, which in turn resulted

in slow increase of overall business. The new business in 1970-71 was Rs. 1300 Crores which further increased to Rs. 1629 Crores in 1971-72.

Various steps were taken by the Corporation to develop group and superannuation schemes business. The total new business in India increased at declining rate. In the beginning of 1972-73, the country's economy faced after effects of Bangladesh war and also the rising prices in oil, which resulted into high inflation and other economic problems. The overall economic crisis triggered by oil price hike, high inflation lack of saving potential of the people etc., adversely affected the Corporations performance in business cost ratio and bonus on policies.

"The Net National Product in 1975-76 showed a sharp rise of 10.1% but in the next year it remained stagnant. The Per Capita Income showed a rise of 7.5% from Rs.612 to Rs.664, which declined to Rs. 652 in the following year. The wholesale price index declined to 302.8 from 313.0 again rising to 310.7 in 1976-77 (base 1960-61=100) and the consumer price index declined to 313 in 1975-76 and to 301 in 1976-77. During this period, the Corporation saw the worst phase of industrial relations, leading to declaration of lockout in some of its offices in Jan' 1974". The individual business stagnated in 1972-73, 1973 -74 and even declined.

The LIC Act has laid down that the main object behind establishing the Corporation was to carry life insurance business and that the Corporation shall so exercise its powers under the Act as "to secure that life insurance business is developed, to the best advantage of the community". In the rural area several steps were taken to increase the business but it was met with limited success.

The overall performance of the Corporation in the matter of claim settlement showed an improvement as shown in the table below during this period.

Table: 8

Year	Claim intimated		Claim settled		% of o/s claim claimsintimated/ payable	
	NOS. (LAKHS)	AMOUNT (CRORES)	NOS. (LAKHS)	AMOUNT (CRORES	NOS. (LAKHS)	AMOUNT (CRORES
1971-72	*3.25*	*91.92*	*3.51*	*94.64*	*19.38*	*19.38*
1972-73	*3.69*	*103.04*	*3.62*	*99.59*	*18.82*	*20.63*
1973-74	*1.03*	*114.67*	*3.74*	*107.36*	*24.35*	*24.91*
1974.75	*4.73*	*148.32*	*4.68*	*145.17*	*21.94*	*17.93*
1975-76	*5.25*	*162.73*	*5.46*	*165.85*	*15.91*	*14.70*
1976-77	*5.41*	*173.66*	*5.63*	*177.71*	*11.26*	*12.14*

PROBLEMS IN BUSINESS:

There was unrest amongst Class II officers of LIC during 1974-75. Their continued agitation affected the new business performance of the Corporation in 1976-77 and 1977-78.

"While the Corporation took almost 14 years to cross the Rs.1000 Crores (1969-1970) mark in sum assured the next Rs. 1000 crores new business came in within the next 6 years (in 1975-76). The Corporation completed two decades of its existence on 1st Sept'.1976 and it introduced 3

new plans of assurance viz. "Money *Back", "Cash and Cover" and "Progressive Protection"*. Money back was the same as the existing Anticipated Endowment policies. Cash and Cover provided dual benefits of early return of policy proceed and adequate protection for the family. The progressive protection provides for automatic increase in sum assured at fixed intervals at premium rates guaranteed in advance without any further medical examinations".

The internal emergency that was imposed in June 1975 was lifted in Jan' 1977. In 1977-78, individual assurances business (in India) declined marginally which in the next year remained stagnant. But there was decline in the number of policies as compared to previous years. There was also gradual decline in renewal expense ratio from 15.65% in 1977-78 to 11.75% in 1981-82.

There was growing dissatisfaction among the public owning to problems faced in servicing due to increase in volume of business and number of polices. The continued industrial unrest in the organization inflated the public feeling of dissatisfaction.

PERIOD OF COMPLETE GROWTH (1980 - 1990):

The recommendation of the various committees contributed towards LIC thinking and implementation process. The premium rates under various plans were revised and the Corporation introduced the concept of terminal bonus for the first time in India. The Corporation passed through a crucial phase of sourced industrial relations and stagnant business accompanied by high expense ratio. The Corporation endeavored to meet the challenges

with the conscious decision of decentralization of policy servicing functions to branches. It took step for huge network of sound and trained agents, propagation of Group Insurance Schemes for protecting increasing number of people, reduction of premium rates etc. The year 1981- 82 brought cheers to the Corporation when its business crossed the figure of Rs.10,000 crores.

POLICY CLASSIFICATION:

By 1961, the Corporation succeeded in completing the work of classification of the policies for the purpose of declaring differential bonuses, inspite of technically qualified men and machines. In the early days of 1958, the business did not appeared to be bright but the proper allocation of personnel, recruitment of additional personnel, settlement of problems etc., the Corporation was able to achieve its target of new business. The Corporation achieved then all time highest figure of Rs.344.68 crores (new business- individual insurance). To overcome, the problem of lack of medical facilities, the Corporation introduced non-medical schemes in 1960, especially for the rural areas. Lack of banking and other organizational facilities for collection of premia also posed great difficulty in front of the Corporation. The aim was to untap the potential that exists in the country especially in the country especially in the rural and newly industrialised areas. Appealing hoardings, field publicity vans, film shows participation in village fairs and exhibitions, etc., were used for rural publicity. During 1959, the Corporation put into operation five field publicity vans fully equipped with 16mm projectors, generators, public address system, information films etc., to popularise life insurance in far distant villages.

Table: 9

PLANS WITHDRAWN	PLANS MODIFIED	NEW PLANS
Grihakakshmi Policy	*Convertible Whole Life (without Profit)*	Anticipated Whole life Policy
Anticipated Endowment Assurance	*Convertible Terms assurance*	
Cash and Cover	*Multipurpose Policy*	
Centenary Policy Convertible Whole Life Policy		

The Corporation effort towards improving the policy servicing and customer satisfaction can be analyzed by the gradual decline in the rate of complaints received by the Corporation. During 1981- 82 and 1984 - 85, the Corporation registered the lowest renewal expense ratio at 11.520/0 and 11.16% respectively. The same however rose to 13.92% in 1984-85 due to payment of arrears and salaries to Class-III and Class IV employees.

In 1984-85, there was settlement of the demand of the Class-III and IV employees, thus bringing an atmosphere of industrial peace and harmony. In 1985-86, the new business reached an all time record figure of Rs.15498.35 crores. As at 31.3.86 as compared to 13793.10 crores in 1985 an increase of 12.36%. The efficiency achieved in case of claim settlement was mainly due to decentralization of operations and constant monitoring of claim settlement operations by the LIC personnels. Keeping in view, the changing social and econoro.ic environment and its effect on the various segments of the society five new plans were introduced on 1st July 1986.

PLANS INTRODUCED IN 1986:

Jeevan Mitra (double Cover Endowment plan - with profit)
Jeevan Saathi (double Cover Joint Life Plan - with profit)
Marriage Endowment/Educational Annuity Plan (with profit)
New Jana Raksha Plan - with profit and
New Children's Deferred Assurance Plan (with profit)

LIC has achieved enviable growth in the last decade in terms of both new business performances as well as in the area of organizational development. The instrument of total performance planning and budgeting was introduced to ensure a planned effort to fulfill the objectives of the Corporation. Employees were given the opportunity to participate in the decision-making, accomplishment of tasks and programmes, thus giving them a greater sense of involvement achievement and fulfillment. The decade of 1980's, on one hand provided for the achievements and opportunities and on the other hand it posed challenges. During 1989-90 LIC launched three subsidiaries namely,

LIC Mutual Fund
LIC International (E. C.)
LIC Housing Finance Limited

With the share of LIC in household savings in India is about 8% of the total savings, it has mobilized about 40% of its business from rural areas. It has been serving millions of insured public through a vast network of branches. The Corporation has introduced two schemes namely,

Jeevan Niwas
Jeevan Kutir

From a traditional Life Insurance organization committed to the socio-economic welfare of the people with its prolonged thrust in harnessing the saving, providing security and utilizing people's money for the people welfare. LIC branched out into mass insurance through group insurance. It entered the 'pension field' in mid eighties through its innovative products.

Jeevan Dhara (1987)
Jeevan Akshay Plan (1987)

Both the above products of LIC were immediate annuity plans. Another significant landmark achieved on 15th Aug 1987 was Group Insurance scheme covering three crores landless agricultural labours and beneficiaries of IRDP was introduced. The government set up a social security fund with LIC and authorized it to administer the funds for the weaker section of the society.

According to the 1981 census 76.5% of the population lives in the rural areas. The need is to spread the message of life insurance to the neglected rural areas. The Corporation has made continuous effort towards building rural agency force to tap the rural potential market. With increase longevity and change in social structural arising out of break up of joint family system have added to the value of pension benefits. Also, the cash accumulation system added to the popularity of group schemes.

PERIOD OF GROWTH & PRODUCT DIVERSIFICATION (1990-99):

After the decentralization in 1985-86, the overall performance of LIC has increased owning to crossing of 80 lakhs policies and the total amount of sum assured to Rs.25000 crores in 1990-91. It underwrote new business of Rs.28239 crores Sum assured under 86.54 lakhs policies in 1990-91. A new milestone, which was achieved in 1990-91 was covering of over one crore lives in new business (86 lakhs individual and 17 lakhs group insurance).

The scheme for the weaker section received afresh impetus during in 1990-91 with awareness campaign in rural areas and settlement of large number of claims. The total income of the Corporation amounted to Rs. 8518 crores. The total life fund of the Corporation in 1990-91 hit a new mark of Rs.28400 crores. To adopt, with the changing preferences, growing need and rising expectations of the customers during 1991 three new plans for children were introduced.

PLANS INTRODUCED IN 1991:

Jeevan Kishore
Jeevan Chhaya
Jeevan Sarita

Growth in business necessitates up gradation of organizational infrastructure to sustain the growth rate as well as for customer satisfaction. The Corporation realized the importance of product diversification and introduced various schemes to meet the needs of the population. Whole life and endowment policies registered decrease in total individual business. Money back policies registered an increase of Rs. 20,000 crores.

INTRODUCTION OF NEW PRODUCTS:

Developing a new product involves introduction of a whole new product or modification or alteration in the already existing product. To increase the profit margin or to remain in the competitive world and expand the life of the product. The service providers use their selling technique of presenting the old ones in a new packaging. Various plans are offered to the customers with attractive features to attract and retain them. The various schemes introduced during 1996-97 were as follows:

PLANS INTRODUCED IN 1996-97:

Jeevan Suraksha (Pension Plan)
Jeev'an Sneha (only for ladies)
Jeevan Sanchay (Money back with guaranteed return)

RECOMMENDATION OF MALHOTRA COMMITTEE FOR REFORM IN INSURANCE SECTOR:

The Malhotra Committee, headed by former Finance Secretary and RBI Governor R.N. Malhotra, was formed to evaluate the Indian insurance industry in 1993. It was set up with the objective of complementing the reforms initiated in the financial sector. The reforms were aimed at "creating a more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognizing that insurance in an important part of the overall financial system where it was necessary to address the need for

similar reforms.

Lack of emphasis regarding customer awareness, training of agents and low tax base was the main reason behind the low penetration of insurers in the life market. Huge amount of capital investment required of building a strong network of agent, hiring of agents and long gestation period of 7-10 years provide entry barriers for the industries.

Earlier insurance was treated for as a savings instrument rather than for risk cover, required need based selling, quality of service and customer awareness. With increased commoditisation of insurance products, brand building is going to play a vital role. The provisions of the IRDA bill acknowledge many issues related to insurance premia that will present it from seeping out of the country.

The IRDA Bill provides for three levels of players - Insurance Company, Insurance brokers and Insurance agent.

The Insurance Regulatory and Development Authority (IRDA) was constituted on 19th April, 2000. The key objective of the Authority is to protect the interest of the policyholders and to regulate and promote market efficiency and ensure consumer protection. It's as an autonomous body to regulate and develop the business of insurance and re-insurance in the country in terms of the Insurance Regulatory & Development Authority Act, 1999. The report prepared submitted to the Central Government on the performance and other matters. The authority is to consist of a Chairman, five whole time members and four part-time members. At present the Authority has four whole time and four part-time Members besides the Chairman. This Authority is to function as a regulator in the financial

sector; it had to make regulations appropriate to the functions allotted to it under law. The history of Indian Insurance Industry is as old as it is in any other part of world.

HEALTHY GROWTH OF INSURANCE BUSINESS:

The reason for the nationalisation of the insurance industry were the unethical practice adopted by some of the players against the interests of the insurance consumers. Nationalisation led the industry towards solidity, growth and height, which is un-paralleled. However, along with these achievements there was feeling of dissatisfaction among the public regarding the service quality and up-gradation in technical skill thus failing to fully satisfy the customers in terms of the products and the services offered. The Committee on Reforms in the Insurance Sector recommended in 1994, the throwing open of the insurance sector, to private participation to induce a spirit of competition amongst the famous insurers and to provide a choice to the consumers. It was hoped that a quality basing of the industry would ensure a better penetration of the insurance market of the country in terms of the Gross Domestic Product, which remains at very low levels in comparison to some of the developing countries in the Asian region.

For healthy growth of the insurance industry in the country, it was necessary for the insurers as well as the other components of the insurance market viz. intermediaries, professional bodies, surveyors and loss assessors etc. to fully commit themselves towards the protection or the interests of the holders of Insurance policies.

The Authority believed in openness and transparency; and followed the practice of prior consultation with various interests. It has issued draft regulations and guidelines, generated discussions on the various issues and finalised its regulations in an open manner. This has resulted in an acceptance of the regulations by various constituents of the market. Many of the regulations have also been looked into by international bodies and found to match up to world standards. The Indian insurance market is thus run and regulated on globally acceptable standards.

Since Agents and corporate agents are key distribution channels to any insurer. The Authority has striven hard to shape the development of insurance agents by providing for the first time in the annals of insurance selling and distribution in this country, minimum educational qualifications at the point of entry and practical training followed by an examination. The process of granting of licenses to the agents started under the new procedure and regulations on Oct' 23, 2000 and till the end of March, 2001, in a period just five month and a little more, 1,18154 agents' licenses have been issued or renewed by the Authority. It would provide tremendous employment opportunities to the unemployed and underemployment youth in our country. The Authority conducts the qualifying examination for the agents and brings out books and training material in various vernacular languages. The Indian market has yet to be developed for adoption of alternate and additional distribution and selling channels like brokers and bancassurance, which are very popular in some developed markets. These systems have an ability to deepen the insurance penetration and availability of products at competitive prices and offer consumer specialised product

development. The Authority has recognised the need for development in these areas and hopes that the pending legislation, to amend certain provisions of Insurance Act, 1938, before Parliament would enable the market to develop fully.

The regulation of the insurance industry is meant to ensure that the interests of the consumers are protected. Insurance is a long-term business where it is essential to build up the confidence of the insured. The insurers should really introduce in the market, products that customers require while the insurance company has the freedom to market any product that it designs, its features and parameters are as per prudential norms and that the customer's requirements have been fully taken into account. The Authority has plans on hand to ensure that the claims settlement phase of an insurer's work is properly organized and late settlement of claims will be visited with penal interest payments.

The Authority is fully conscious of the fact that the growth of insurance coverage in the country, both for life and non-life risks, is possible only when there is a growth in public knowledge and insurance education. A continuous touch with the consumers organization and having representatives of consumers on Advisory Committee to make regulations and are appointed to all committees and groups that the Authority forms to and institutions to design specialised courses to teach insurance as a subject. It is gratifying to note that look into various aspects of governance. The Authority has also taken active steps to help schools, colleges there is a growing public awareness as to the usefulness of insurance as a risk cover. The main task of the authority is as follows:-

- *Admission of insurer;*
- *Functioning of the intermediaries;*
- *Control on rates of premium in general insurance, and*
- *Consumer care.*

A Consumer Advisory Committee has also been formed by the IRDA to give a fillip to these efforts, to increase insurance awareness at all levels. The IRDA Act, 1999 mandates the Authority to protect the interests of holders of insurance policies and to regulate, promote and ensure orderly growth of the Insurance industry. To fulfill the above objectives, a leading consumer activist has been inducted into the Insurance Advisory Committee; in addition to these representatives have been drawn from the industry, insurance agents, women's organisation and other interest groups. To safe guard the interest of the consumer's insurer have been advised to streamline their grievance redressal machinery and set benchmarks for efficient and effective service. The periodical interaction of the authority with the insurers and the intermediaries, help advice them on various issue relating to proper development and growth of the market.

THE INSURANCE (AMENDMENT) BILL – 2001:

- The Insurance (Amendment) Bill, 2001 was introduced in the Parliament in Aug' 2001 and has been referred to the Standing Committee on Finance. The Bill seeks to make five broad changes.
- Co-operative societies are being recognised to carry on insurance business. They will also be subject to the same capital and solvency requirements as is the case with the new companies.

- The training requirements in the case of corporate agency are being modified as existing norms prescribing all directors to undergo training and passing of an examination as per the Insurance Act, 1938 are restrictive and putting constraints on the growth of corporate agency business in the country.
- Section 40 of the Insurance Act is being modified wherein a portion of the premium received from a customer, can be paid as remuneration to an insurance intermediary who has been defined to include insurance brokers and consultants. The institution of broker is expected to improve market penetration by enabling designing and penetration by enabling designing and marketing of customised policies based on global best practices and experience. It will also enhance the efficiency in the conduct of insurance business with the scaling down of transaction costs. With the introduction of these amendments a new channel of distribution will open which will increase the geographical spread for selling insurance products. Banks and other organisation are expected to take up corporate agency of the insurance companies and associate themselves in the selling of insurance policies under the Bancassurance model.
- A provision is being introduced in Section 49 of the Insurance Act, wherein respect of the participating policies, the element of surplus that would be available to the policyholders will be 90% and to the shareholders, will be 10%.
- A sub-section is being added Sector 64 VB, authorising the IRDA to prescribe various methods of payment of premium, without changing

the basic requirement that the premium should be paid before the insurer goes on risk. This amendment will enable payment of premium through credit cards or through Internet and will facilitate the insurance customers to have an easier mode of payment of premium. A large number of insured now hold such cards and they shall find it extremely convenient to use these for the purpose of payment of premium. This will also result in increase in the coverage of insurance business.

IRDA has decided to adopt modern information technological methods in regard to its functioning. Towards this end, in consultation with the industry it has drawn a management information system (MIS) plan. During 2000-2001, IRDA initiated the process of development of application software packages for on-line submission of returns by the insurers to the Authority and their subsequent analysis on scientific lines in order to ensure better compliance.

The opening of the market to private participation was a bold step taken by the government toward the availability of various insurance products in the market for the consumers to make choice. The opening up of the market will deepen the insurance penetration; bring about a rationalisation of premium structure, end cross subsidisation, provide covers which were lacking in the market and provide the necessary resources for infrastructure development. Miscellaneous class of general insurance business has achieved a commendable rate of growth and in particular, the personal lines of insurance cover provided by the insurers have shown significant increase.

The slow down in the economic activity in the country has not apparently deterred the buying capacity of the individuals to purchase these covers.

With the entry of private players in the market the awareness level of the consumers for buying the insurance product has increased thus ensuring penetration across all sections of the society and the various regions of the country including the rural areas. The filing of insurance products prior to its marketing has resulted in the pricing of the products on a stand-alone basis thereby reducing any element of cross subsidy between lines of insurance business. Insurers have realised that the needs of the insured are better served by packaging insurance covers with riders and add on covers.

EMERGENCE OF PRIVATE INSURANCE COMPANIES:

Insurance sector in India has been traditionally dominated by state owned Life Insurance Corporation and General Insurance Corporation and its four subsidiaries. Government of India has now allowed FDI in insurance sector up to 26%. Since then, a number of new joint venture private companies have entered into life and general insurance sectors and their share in the insurance market in rising. Insurance Development and Regulatory Authority (IRDA) is the regulatory authority in the insurance sector under the Insurance Development and Regulatory Authority Act, 1999.

Under the new dispensation Indian insurance companies in private sector were permitted to operate in India with the following conditions:

Company is formed and registered under the Companies Act, 1956; The aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees, do not exceed 26%, paid up equity capital of such Indian insurance company; The company's sole purpose is to carry on life insurance business or general insurance business or reinsurance business. The minimum paid up equity capital for life or general insurance business is Rs.100 crores. The minimum paid up equity capital for carrying on reinsurance business has been prescribed as Rs.200 crores. The Authority has notified 27 Regulations on various issues, which include Registration of Insurers, Regulation on insurance agents, Solvency Margin, Re-insurance, Obligation of Insurers to Rural and Social sector, Investment and Accounting Procedure, Protection of policy holders' interest etc. Applications were invited by the Authority with effect from 15th August, 2000 for issue of the Certificate of Registration to both life and non-life insurers

The Insurance sector in India governed by Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and other related Acts. IRDA has so far granted registration to 12 private life insurance companies and 9 general insurance companies. If the existing public sector insurance companies are included, there are currently 13 insurance companies in the life side and 13 companies operating in general insurance business. General Insurance Corporation has been approved as the "Indian reinsurer" for underwriting

only reinsurance business. Particulars of the life insurance companies is given below:

Table no. 10

LIFE INSURERS
Life Insurance Corporation of India
Allianz Bajaj Life Insurance Company Limited
Birla Sun-Life Insurance Company Limited
HDFC Standard Life Insurance Co. Limited
ICICI Prudential Life Insurance Co. Limited
ING Vysya Life Insurance Company Limited
Max New York Life Insurance Co. Limited
MetLife Insurance Company Limited
Om Kotak Mahindra Life Insurance Co. Ltd.
SBI Life Insurance Company Limited
TATA AIG Life Insurance Company Limited
AMP Sanmar Assurance Company Limited
Dabur CGU Life Insurance Co. Pvt. Limited

The private insurance joint ventures have collected the premium of Rs.1019.09 crore with the investment of just Rs.3,000 crore in three years of liberalization. The private insurance players have significantly improving their market share when compared to 50 years Old Corporation (i.e.LIC). As per the figures compiled by IRDA, the Life Insurance Industry recorded a

total premium underwritten of Rs. 10,707.96 crore for the period under review. Of this, private players contributed to Rs.1, 019.09 crore, accounting for 10 percent. Life Insurance Corporation of India (LIC), the public sector giant, continued to lead with a premium collection of Rs.9,688.87 crore, translating into a market share of 90 per cent. In terms of number of policies and schemes sold, private sector accounted for only 3.77per cent as compared to 96.23 per cent share of LIC (The Economic Times, 21 March, 2004).

The ICICI Prudential topped among the private players in terms of premium collection. It recorded a premium of Rs. 364.9 crore and a market share of 25 per cent, followed by Birla SunLife with a premium under-written Rs.170 crore and a market share of 15 percent, HDFC Standard with 132.7 crore and Max New York Life with Rs.76.8 crore with a market share of approximately 15 per cent each. Unlike their counterpart in the life insurance business, private non-life insurance companies have not yet started addressing the retail market. All is set to change in the coming years. Like in the banking sector, non-life insurance companies will soon have no choice but to focus on individual buyers.

In case of private non-life insurance players, that their market share rose to 14.13 per cent, recording a growth of 70.75 per cent on an annual basis, while the market share of public sector stood at 85.87 per cent, registering a marginal growth of 6.34 per cent. The overall market has recorded a growth of 12.32 per cent by the end of January 2004. Among the private non-life insurance players, ICICI Lombard topped the list with a premium collection of Rs.403.62 crore in one year period with a market

share of 3.05 per cent and with an annual 131.6 per cent, followed by Bajaj Allianz with a premium of Rs.385.02 crore and 2.91 per cent market share and Tata AIG with 300.49 crore premium and 2.27 per cent market share with an annual growth rate of 62.60 per cent.

Among the public sector players, New India garnered a market share of 24.38 per cent, Rs.3,229.49 crore premium and an annual growth rate of 0.38 per cent, followed by National with a market share of 21.43 per cent, Rs.2,839.11 crore premium and an annual growth rate of 19.88 per cent, United India with a market share of 19.47 per cent (Rs.2,578.83 crore premium) and Oriental with a market share of 18.25 per cent, Rs.2,417.17 crore premium and an annual growth rate of 1.86 per cent. It is significant to note that HDFC Chubb and Cholamandalam have registered annual growth rates of 4030.26 per cent and 1101.20 per cent respectively, whereas New India has registered it as 0.38 per cent. If this trend continues, private insurer would dominate the public sector like New India Insurance Corporation. It is obviously reflect the insurance sector has facing the challenges with foreign counter parties as well as private counter parties and lot more opportunities are prevailing to penetrate the insurance business among the uncovered people and area of India. Further, it leads to economic development of the country. In this regard, it assumes greater significance to conduct debate among the inter- disciplinary persons.

With the erstwhile monopoly of stateowned companies now up for grabs, private operators, both local and global, are launching innovative ideas to regroup the market. Many new products have been introduced such as trade credit, directors & officers (D&O) and special port packages. All new

products, policy wordings, rating structure and background development research need the approval of the IRDA, but some new products are being introduced under the 'file & use' rule which stipulates that if no response is received within 30 days of submission to the IRDA, the proposer is entitled to start marketing the product. The Indian market is tariff driven. Fire, perils, engineering, workers' compensation and motor covers are strictly tariff rated. This is an impediment to the development of the market because of the high proportion of written premium in this segment. It is, however, the declared intention of the IRDA progressively to dismantle the tariff controls over the next three to five years. Other classes such as liability, marine and a number of miscellaneous classes are not tariff rated. Also, because of their size and complexity, 'mega-package' policies fall outside the (fire & perils) tariff regulations and are therefore open to non-admitted insurers. By definition, they are operational property risks with an insured sum in excess of INRIOObn ($2.2bn) at one location or probable maximum loss (PML) of more than INRIO.5bn ($233m).

The insurance sector in India has come a full circle from being an open competitive market to nationalisation and back to a liberalised market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost two centuries.

Insurance Sector in India is poised for tremendous expansion said Shri Pawan Kumar Bansal, the Minister of State for Finance while addressing a meeting of Insurance Australia Group on 21st September 2007 in Sydney. Shri Bansal said the banks also have entered the insurance sector in the form of corporate agencies or under referral arrangements to

utilize the extensive and broad reach for marketing of insurance products. IRDA has also notified Micro Insurance regulations facilitating insurers to tap the potential of rural markets. As per these regulations like Non-Government Organizations (NGO), Micro Finance Institutions (MFI) and Self Help Groups (SHG) have been recognized as micro insurance agents. It is envisaged that micro insurance would facilitate penetration of insurance to rural and remote areas. He said that Micro Insurance being an integral part of overall insurance system, attempts to offer the target specific insurance products at a relatively lower cost, for a lower coverage of amount. Foreign equity upto 26% is allowed in the insurance sector. The entry of foreign partners has resulted in the sector attracting FDI of US 543 million as on 31 st March, 2007. The private companies have created a niche for themselves. They have been able to increase their share in the insurance market in competition with their counterparts in the public sector. As a part of the reform process, premium rates for non-life insurance products have been de-tariffed w.e.f. 1.1.2007. Shri Bansal said that in insurance sector though the growth in recent years has been significant, India is far behind the world averages and ranks 78th in terms of insurance density and 54 th in terms of insurance penetration. The world averages are US $ 469.6 in terms of insurance density and 8.06% in terms of insurance penetration. Against this, insurance density was US$ 19.70 and insurance penetration was 3.17% in India for the year 2003. However, these two indices have increased following the opening of this sector. Insurance Regulatory and Development Authority has granted registration to 37 insurance companies, which include 17 life insurance (including on PSU), 19 non-life insurance

(including four PSU, one AICL & one ECGC) companies and one re-insurance company. At present seventeen insurance companies are operating in the general insurance side and seventeen insurance companies on the life side. According to Shri Bansal, India offers a stable investment climate as well as a huge market with a growing middle class. Investor confidence in India is at an all time high today. A.T. Kearney in 'The FDI Confidence Index 2005' has ranked India as the 2nd most attractive investment destination just behind China whereas 'World Investment Report, 2005' ranked India as the 2nd most attractive investment destination among Transnational Corporations, he added. FDI is now permitted in 21 activities through the auto-route. These include FDI in development of township, housing, built-up infrastructure and construction development projects, exploration and mining of diamonds and precious stones and insurance.

LAUNCHING OF FOREIGN INSURANCE COMPANIES IN INDIA:

Ending government monopoly of insurance in India for the past three decades, Insurance Regulatory and Development Authority (IRDA) issued certificates of registration to three private insurance companies. The three companies are Reliance General Insurance Co. Ltd., HDFC Standard Life Insurance Co. Ltd., and Royal Sundaram Alliance Insurance Co. Ltd. IRDA has also decided to grant 'in-principle clearance' for registration of three other companies - ICICI Prudential Life Insurance Co. Ltd., Max New York Life Insurance Co. Ltd. and IFFCO Tokio General Insurance Co. Ltd. - "subject to satisfaction of certain conditions." The companies have been

asked to submit more information about their businesses. The government of India had earlier announced that foreign insurance companies will not have to go to Foreign Investment Promotion Board to get their proposals cleared. Clearance from The Insurance Regulatory and Development Authority is adequate. After the IRDA approval, the Reserve Bank of India is to be informed. It was the IRDA Act passed a year ago which made all the present developments possible. Critics of the IRDA Act feel the 26 percent cap on overseas equity must go. They feel investors must be free to bring in as much money as they want to invest. Joint ventures in India has turned sour because local partners had no money to invest at the time of need and the foreign partner is restricted from increasing its stake. According to a statement by Reserve Bank of India (RBI), foreign insurance companies can set up liaison offices in India subject to regulatory approval.

Leading foreign insurance companies operating in India have captured 22 per cent of the total insurance business in the country within a short span of time, Minister of State for Commerce and Industry Ashwani Kumar has said. "22 per cent of the Indian market has been captured by foreign insurance companies who are currently working with an Indian partner," Kumar said at an Interactive Session on Investment Policies and Opportunities in India, organised at the India House here last night, to attract foreign investments in diverse fields. He said as a sequel to their success, the foreign insurance companies are keen to increase their investment in the Indian companies from 26 per cent to 49 per cent. "There is a proposal under consideration but as of now there is no specific move in that regard," he later told reporters. However, Kumar said, "Government is

considering to increase the voting rights of the foreign companies in their ventures from the current 10 per cent to a maximum of 15 per cent. A Bill is before Parliament".

UK's largest and the world's fifth largest insurance Group, Aviva is one of the leading providers of life and pensions products to Europe and has substantial businesses elsewhere around the world. With a history dating back to 1696, Aviva has a 35 million-customer base worldwide. It has more than US$ 485.4 billion of assets under management.

In India, Aviva has a long history dating back to 1834. At the time of nationalisation it was the largest foreign insurer in India in terms of the compensation paid by the Government of India. Aviva was also the first foreign insurance company in India to set up its representative office in 1995. With a strong sales force of over 16,000 Financial Planning Advisers (FPAs), Aviva has initiated an innovative and differentiated sales approach to the business. Through the 'Financial Health Check' (FHC) Aviva's sales force has been able to establish its credibility in the market. The FHC is a free service administered by the FPAs for a need-based analysis of the customer's long-term savings and insurance needs. Depending on the life stage and earnings of the customer, the FHC assesses and recommends the right insurance product for them.

PARTNERS:

Open to picking up equity stakes in Indian banks for cementing its bancassurance arrangements, Aviva India is a 74:26 per cent joint venture between the Dabur group and Aviva Life Plc of the UK. In January 2007,

Aviva also tied up with IndusInd Bank, one of the leading new-generation private-sector banks in India. Now, Aviva has extended its leadership position in the Bancassurance channel with 30 tie-ups, the largest number of Bank partnerships by any private insurer in India, and increased its presence to 497 locations in the country. Currently about 70 per cent of Aviva's premium contributions came through bancassurance channels. Aviva was beefing up its direct reach and increased the number of offices to 197 up from 93 in 2006, and raising its direct sales force to 31,000 from the current level of 14,000, with a view to sustain its growth momentum.

PRODUCTS:

When Aviva entered the market, most companies were offering traditional life products. Aviva started by offering the more modern Unit Linked and Unitised With Profit products to the customers, creating a unique differentiation. Aviva's products have been designed in a manner to provide customers flexibility, transparency and value for money. It has been among the first companies to introduce the more modern Unit Linked products in the market. Its products include: whole life (LifeLong), endowment (LifeSaver, EasyLife Plus), child policy (Young Achiever) single premium (LifeBond and LifeBond Plus), Pension (PensionPlus), Term (LifeShield), fixed term protection plan (Freedom LifePlan) and a tax efficient investment plan with limited premium payment term (LifeBond5). Aviva products are modern and contemporary unitised products that offer unique customer benefits like flexibility to choose cover levels, indexation and partial withdrawals. Aviva pioneered the concept of Bancassurance in India, and has leveraged its

global expertise in Bancassurance successfully in India. Currently, Aviva has Bancassurance tie-ups with ABN Amro Bank, American Express Bank, Canara Bank, Centurion Bank of Punjab, The Lakshmi Vilas Bank Ltd. and Punjab & Sind Bank, 20 Co-operative Banks in Gujarat, Rajasthan, Jammu & Kashmir, Bihar, West Bengal, Andhra Pradesh and Maharashtra and two regional Banks.

PERFORMANCE:

To fuel future growth Aviva announced an increase in its capital base by US$ 46.3 million in Janury 2007, taking the total paid-up capital to US$ 176.6 million. Aviva has a long-term commitment to India and the current capital infusion of US$ 46.3 million will allow it to expand operations and launch new products. Aviva's Fund management operation is one of its key differentiators. Operating from Mumbai, Aviva has an experienced team of fund managers and the range of fund options include Unitised With-Profits Fund and four Unit Linked funds: Secure Fund, Balanced Fund, Growth Fund and Protector Fund. The flagship fund of the Company, Balanced Fund, has performed very well with a Compounded Annualised Growth Rate (CAGR) of 27.05 per cent (December 2006) since inception (June 2002). The Growth Fund has recorded a CAGR of 39.35 per cent (December 2006) since inception (January 2004). The company recorded healthy growth in both Direct Sales Force and Bancassurance channels. Aviva's annual premium accretions have grown by close to 83 per cent. Till February 2007, its new premium's accretion amounted to US$ 139.8 million, up from US$ 76.4 million last year. Close to 90 per cent of this growth was from unit-linked

insurance plans (ULIP). After the addition of US$ 46.3 million in January 2007, Aviva's capital has increased to US$ 176.6 million. Capital infusions have been planned up to 2010.

The opening of the Indian insurance sector to 49 per cent foreign direct investment (FDI) is one of the more controversial economic reform measures that the United Progressive Alliance (UPA) government has taken. It is certainly one of the most contested decisions as, by any measure of profitability or efficiency, the state-controlled insurance sector has performed remarkably well. The decision has predictably been welcomed by corporate India and the mainstream media as a step in the direction of insurance sector privatisation. The announcement to increase the permissible foreign equity stake in an insurance company from the current level of 26 per cent to 49 per cent was made by the Finance Minister during his Budget speech in 2004, and again this year. This, despite sustained and informed opposition, not just from the Left, on whose support the present government is dependent, but also from the strong trade union movement within the insurance sector which has led a countrywide campaign of education and information on just how misconceived such a measure is from the point of view of the national interest. Significantly, there is also opposition to the liberalisation of the insurance sector from other segments of the political spectrum, including the Congress party, within Parliament.

Simply put, the opposition to the liberalisation of the insurance sector rests on two arguments. The first is that public sector insurance, both in the life and non-life sectors, has performed remarkably well both in terms of profitability and reach since the nationalisation of these sectors in 1956 and

1972 respectively. Therefore, there is no good reason to weaken these efficient and profitable entities, which disinvestment has already succeeded in doing. Second, there is not even a strong case for FDI in insurance based on the performance of the global insurance industry. Today there is a crisis of confidence among the insuring public in the West, as several leading global insurance players, including many who have opened operations in India, are under the scanner of regulatory bodies in their countries for irregularities ranging from failure to meet insurance claims, to financial mismanagement, to outright fraud. It is in this situation that foreign equity investment in insurance in India is being increased. "At the end of the day, the essence of efficiency in an insurance company is about whether your claims are paid or not," N.M. Sundaram, president, All India Insurance Employees Association (AIIEA), told Frontline. "In that, public sector performance is near 100 per cent. The world average is very much lower - it has stayed at 40 per cent or so. On these grounds, we are amongst the most efficient. The second aspect is that internationally, insurance companies are in very bad shape, both in America and Europe. The normal practice of a company in the United States is to repudiate the claims. In fact, the extent of fraud perpetrated in the U.S. is documented. A U.S. House of Representatives Sub-Committee in 1990 in a report called `Failed Promises' analysed it. Such a scenario was present in India before insurance nationalisation".

Public sector monopoly over insurance was broken in 1999, when the National Democratic Alliance (NDA) government opened the sector to FDI. The Insurance Regulatory and Development Authority (IRDA) Act allows

foreign companies a 26 per cent equity stake in Indian insurance companies. The entry-level capital requirement for private companies was kept at Rs.100 crores. The table shows the number of registered insurers in India. The Life Insurance Corporation of India (LIC) is the only life insurer in the public sector. Eleven of the 13 private companies have an FDI of 26 per cent of the equity, one (HDFC) has 18.60 per cent, and Sahara India is wholly Indian owned. Seven of the eight private companies in the general insurance sector have foreign equity holdings of 26 per cent. The only one that does not is Reliance General Insurance Co. Ltd. Of the 13 companies in the private life insurance sector, only one, namely Sahara India, does not have a foreign promoter.

According to the IRDA Annual Report 2003-04, all the private life insurance companies made losses amounting to Rs.2,91,275 lakhs after tax. The LIC, on the other hand, made Rs.55,181 lakh profit after tax in this period. In the non-life sector, the combined profits after tax of the private sector companies was just Rs.6,701 lakhs, whereas the combined profits of the public sector companies was Rs.1,34,399 lakhs. The public sector still holds the overwhelming market share of premiums underwritten. Of the total premiums (first year premiums and renewal premiums) in 2002-03, the LIC had 95.29 per cent of the market share while the private sector has just 4.71 per cent. In the non-life segment, the new insurers held a market share of 13 per cent. The rationale for the liberalisation of the insurance industry rests on the argument that India requires a large dose of investment in social infrastructure, which will come from private insurance companies. Curiously, this was precisely the argument that was put forward by the

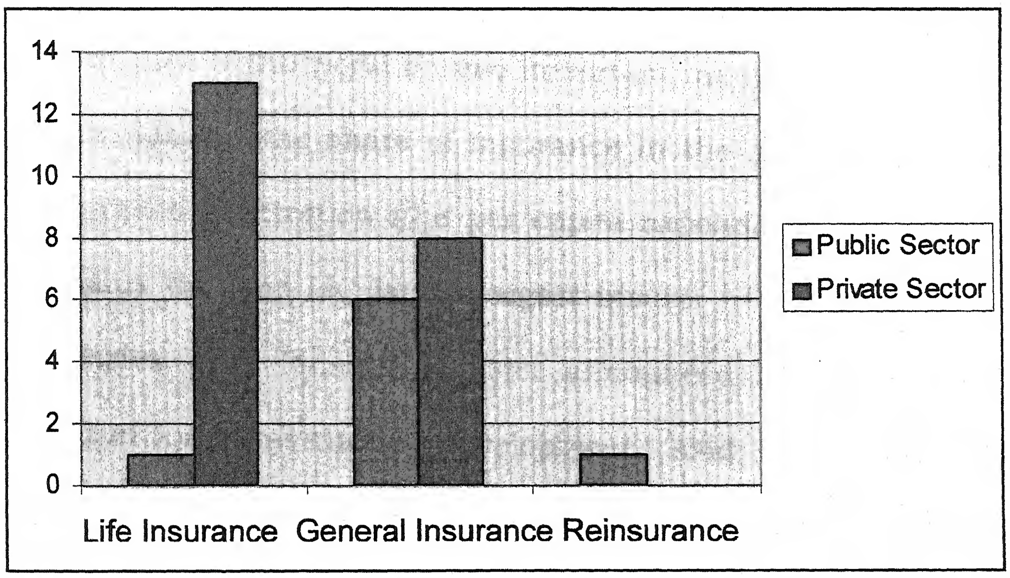
government as justification of the nationalisation of the life insurance industry in 1956. Life insurance was nationalised following a series of solvencies and bankruptcies of private insurance companies. More important, however, the government felt that in government hands, the sector would be able to channel resources for savings and national investment. Profit-driven private companies could not be expected to promote insurance in the rural areas.

Table no. 11

REGISTERED INSURERS IN INDIA

Type of business	Public sector	Private sector	Total
Life insurance	1	13	14
General Insurance	6	8	14
Reinsurance	1	0	1

Diagram: 3



The private sector is unlikely to generate the anticipated funds for social infrastructure, as 90 per cent of its premium income comes from unit-linked products that are invested in the stock market, a volatile and risky investment source. On the other hand, the total investments of the LIC that

have gone directly into infrastructure development, stood at Rs.3,43,128.80 crores on March 31, 2004. The corresponding amount generated by all the private insurers amounted to Rs.321 crores. Further, rural penetration by private insurers is almost non-existent, as they service the profitable, urban segment of the insurance market. By contrast, in 2003-04 alone 17.85 per cent of the new policies underwritten by the LIC were from the rural sector. The average policy size of an insurer in a private company is Rs.3,00,000; the corresponding policy size in the LIC is Rs.72,000, suggesting the different consumer segments that public and private insurance sectors service.

The social objectives of insurance still remain relevant, 50 years after the nationalisation of the life insurance sector, and five years after the entry of private players in insurance. Despite the fact that India lags behind most other countries of the world on two important insurance indicators, namely insurance density (the share of insurance in the gross domestic product), and insurance penetration (the per capita expenditure on insurance), the fact remains that the LIC is the largest insurer in the world, servicing 17 crore policies. "The Finance Minister announced that the country needs $150 billion for infrastructure development," said Amanullah Khan, AIIEA general secretary. "One single institution, the LIC, can achieve that in six to seven years. The LIC is growing at 25-30 per cent, and in 2003-04 the total premiums it generated was Rs.63,000 crores. Why does the government have to look outside for funds?"

GLOBAL OUTLOOK:

Current trends in the global insurance industry do little to support the government's decision to liberalise at this stage. Several of the foreign insurance partners of Indian companies are in a serious credibility crisis with the insuring public. The big insurance scam that the U.S. media is avidly following is the investigation opened by U.S. Securities and Exchange Commission officials and the New York Attorney-General against the insurance giant, the American International Group (AIG), which holds 26 per cent stake in TATA-AIG Life Insurance Co. Ltd. Investigations are under way against its former chairman, Maurice R. Greenway, for his role in dressing up the company's financial results through questionable insurance transactions. The AIG's dealings with General Re, one of the biggest re-insurance vendors of the world, which had been acquired in 1998 by a holding company owned by Warren E. Buffet, is part of the investigation. AIG has acknowledged that the deal with General Re was improper. The investigation has resulted in a steep fall in the stock price of the company, and in a lowering of its book value by $1.7 billion.

In 2003, U.S. regulators conducted investigations into the business practices of Prudential Financial Services, the U.S. insurance company that has tied up with ICICI. According to media reports, regulators uncovered a range of fraudulent sales practices, including the falsification of documents, forging of signatures, and the practice of asking clients to sign blank forms. The company has been in trouble with regulators from 1993. In 1997 the company had to pay $2.6 billion in a class action lawsuit against fraudulent life insurance sales practices. The issue of the solvency margin has put a

great deal of pressure on public sector insurance companies. The IRDA has stipulated that 4 per cent of premiums generated must be reserved as a solvency margin, a reserve fund in case the company closes. The LIC never created a separate fund for this purpose as technically the Government of India guaranteed all policies. The public sector companies argue that to demand a solvency fund from a start-up company is one thing, but to demand that the LIC make a provision in its budget for a solvency fund with retrospective effect for 50 years would be most unfair, as this would amount to Rs.18,000 crores. The IRDA has asked the LIC to raise this sum by going to the market and selling its shares. The pressure being put on the LIC on the issue of the solvency margin is seen as a means of paving the way for the eventual privatisation of the company.

The LIC has argued that for a start-up investment of Rs.5 crores by the government in 1956, the LIC has paid the government Rs.4,091 crores as dividend over the years, and this sum should regarded as a solvency margin. Failing this, the Government of India should stand as guarantor for the solvency margin. The IRDA regulator has shot this down on the grounds that it would go against its objective of creating a "level playing field". With its burgeoning middle class, India is a prospective market for European and U.S. insurance companies, especially when their own insurance markets are in a sluggish stage. Their entry will continue to put enormous pressure on the public insurance companies who will have to compete with them in the marketplace, while yet having to fulfill their commitments toward socially responsible insurance.

Since 2001 foreign insurance companies are permitted to offer personal insurance as well as general insurance in collaboration with an Indian partner, with a maximum ceiling of 26% for the foreign partner. The German business community is hopeful that the market for insurance services will be further liberalized. A suitable guideline for liberalization is given by the "Model Schedule for future Insurance Commitments by WTO Members" of the Financial Leaders Working Group. In order to overcome the constantly aggravating liquidity problem of Indian private sector insurers the present investment restrictions for foreigners should be reduced gradually. The German business community requests the GoI to at least consider an investment ceiling for foreign insurance providers at 49% and in due course, allow majority share holding as well. The rather high current minimum capital requirements for foreign insurance companies of Rs. 1 billion constitute another barrier to entry into the Indian market. In this context, the recommendations of the Insurance Regulatory and Development Authority (IRDA) to reduce the minimum capital requirements to Rs. 50 crores for standalone health insurance companies should be implemented as soon as possible.

The German business community strongly recommends regulating the health insurance sector separately by specific laws. This measure would enable the building of the foundation for the development of a modern and efficient healthcare system.

Further liberation in the insurance sector will consequently require a sustainable liberalisation process of the reinsurance sector. This would entail specifically the scrapping of the legally sanctioned monopolistic

position of the state-owned reinsurer and would necessitate the introduction of a specific legal framework. Currently, foreign reinsurance companies are only allowed to operate in India as a joint venture partner of an Indian reinsurance provider (26% ceiling, 49% ceiling in discussion). Taking the international experience of liberalisation and the large capital need of reinsurance providers into account, the German business community is convinced that issuing branch license (100% ownership) to international reinsurers would be the best solution for all parties. Permission may only be given to selected international reinsurance companies with good track record and business experience in India, for opening of branches in India and for building up cooperation with local Indian business partners.

Private life insurers could play a pivotal role in giving a head start to the implementation of pension reforms in India. As the GoI has ready formed the Pension Fund Regulatory and Development Authority, the next step would be the speedy opening of the sector. The sector should be opened with the FDI norms same as insurance. India's economic development would greatly benefit from a broad opening of the insurance and reinsurance sector to international competition. At the same time, the role of strong supervision and regulatory authorities would grow as a safeguard against adverse market effects. The Indian authorities are requested to support transparent regulations and apply clear criteria in the licensing procedure for national as well as international insurance and reinsurance providers.

SOCIAL SECUIRITY GROUP SCHEME IN INDIA:

In a long life society the number of the elderly will grow, the demand for social security will increase and the burden on the system of social security will become increasingly heavy and may eventually become unbearable. There are at present several schemes for providing old age and survivors benefit to the people in India but their coverage is small. With the growth in the numbers of the aged the gap in coverage of the elderly has been growing. Extension of coverage will add to the cost of social security .How to minimize the cost is the challenge before the administrators. The paper suggests the following measures: Control of the growth of population; Raising the age of retirement progressively consistent with the improvement in life expectancy; Fixing social security pensions at flat rates so as to ensure a basic income leaving it to the individuals to supplement them through voluntary schemes; and Rationalisation of the existing arrangements for health care long term care and emotional support of the elderly.

Social security in a long life society is assumed to mean social security for the increasing numbers of the elderly population. Social security is the security provided by the State or society to the vulnerable groups of people consisting of the young children, the elderly, the sick , the disabled and such others Of these the elderly represent a large and growing group. Their vulnerability increases with age and they become more and more dependant. on other people. In a long life society the number of this group will grow, the demand for social security will increase and the burden on the system of social security will become increasingly heavy and may eventually become

unbearable. How to tackle this problem is the question before the policy makers and social security administrators.

Traditionally the elderly persons were looked after by the younger members of the family to which they belonged. With the breaking up of the joint family systems and the advent of new ways of life the family ties are weakening and it has become necessary for the States and societies to assume responsibility for the care of the elderly. Social security for the elderly is therefore gaining increasing importance.

The social security needs of the elderly are varied. Lonely old people are routinely assaulted and sometimes killed for their money. They need protection against physical assault by unscrupulous elements. The police have established helplines for helpless people to contact hem in case of need. The old by definition have retired or should retire form work and they can no longer earn their livelihood.. They therefore need income security or an arrangement under which their basic needs are met. . They are prone to all kinds of ailments. They therefore need health security. . Above all they feel lonely and are prone to depression, dementia and other kinds mental diseases. They need someone to help them do their routine jobs such as paying bills etc. and to keep them in good humour by giving them company and talking to them. Globally there is an increasing awareness of the problems of the aged. Two World Assemblies have been held to discuss those problems and to draw up plans for dealing with those problems. Many countries have also adopted national policies for the elderly.

INSURANCE REGULATORY AUTHORITY:

India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets, competition and various services sectors. In a number of sectors Government plays the role of regulator. Ministry of Finance, Government of India looks after financial sector in India. Finance Ministry every year presents annual budget on February 28 in the Parliament. The annual budget proposes changes in taxes, changes in government policy in almost all the sectors and budgetary and other allocations for all the Ministries of Government of India. The annual budget is passed by the Parliament after debate and takes the shape of law. Reserve bank of India (RBI) established in 1935 is the Central bank. RBI is regulator for financial and banking system, formulates monetary policy and prescribes exchange control norms. The Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 authorize the RBI to regulate the banking sector in India. India has commercial banks, co-operative banks and regional rural banks. The commercial banking sector comprises of public sector banks, private banks and foreign banks. The public sector banks comprise the 'State Bank of India' and its seven associate banks and nineteen other banks owned by the government and account for almost three fourth of the banking sector. The Government of India has majority shares in these public sector banks.

India has a two-tier structure of financial institutions with thirteen all India financial institutions and forty-six institutions at the state level. All India financial institutions comprise term-lending institutions, specialized institutions and investment institutions, including in insurance. State level

institutions comprise of State Financial Institutions and State Industrial Development Corporations providing project finance, equipment leasing, corporate loans, short-term loans and bill discounting facilities to corporate. Government holds majority shares in these financial institutions. Non-banking Financial Institutions provide loans and hire-purchase finance, mostly for retail assets and are regulated by RBI.

Insurance sector in India has been traditionally dominated by state owned Life Insurance Corporation and General Insurance Corporation and its four subsidiaries. Government of India has now allowed FDI in insurance sector up to 26%. Since then, a number of new joint venture private companies have entered into life and general insurance sectors and their share in the insurance market in rising. Insurance Development and Regulatory Authority (IRDA) is the regulatory authority in the insurance sector under the Insurance Development and Regulatory Authority Act, 1999.

RBI also regulates foreign exchange under the Foreign Exchange Management Act (FERA). India has liberalized its foreign exchange controls. Rupee is freely convertible on current account. Rupee is also almost fully convertible on capital account for non-residents. Profits earned, dividends and proceeds out of the sale of investments are fully repatriable for FDI. There are restrictions on capital account for resident Indians for incomes earned in India.

Securities and Exchange Board of India (SEBI) established under the Securities and Exchange aboard of India Act, 1992 is the regulatory authority for capital markets in India. India has 23 recognized stock

exchanges that operate under government approved rules, bylaws and regulations. These exchanges constitute an organized market for securities issued by the central and state governments, public sector companies and public limited companies. The Stock Exchange, Mumbai and National Stock Exchange are the premier stock exchanges. Under the process of de-mutualization, these stock exchanges have been converted into companies now, in which brokers only hold minority share holding. In addition to the SEBI Act, the Securities Contracts (Regulation) Act, 1956 and the Companies Act, 1956 regulates the stock markets.

Chapter-II

INSURANCE
ITS
EFFECTS ON COMMON PEOPLE

Insurance may be described as a social device to reduce or eliminate risk of life and property. Under the plan of insurance, a large number of people associate themselves by sharing risk, attached to individual, the risk, which can be insured against include fire, the peril of sea, death, incident, & burglary. Any risk contingent upon these may be insured against at a premium commensurate with the risk involved. Insurance is actually a contract between 2 parties whereby one party called insurer undertakes in exchange for a fixed sum called premium to pay the other party happening of a certain event. Insurance is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial losses suffered by the insured as a result of the occurrence of unforeseen events.

With the help of insurance, large number of people exposed to a similar risk make contributions to a common fund out of which the losses suffered by the unfortunate few, due to accidental events, are made good

PRIMARY FUNCTIONS OF INSURANCE:

Provide Protection - The primary function of insurance is to provide protection against future risk, accidents and uncertainty. Insurance cannot check the happening of the risk, but can certainly provide for the losses of risk. Insurance is actually a protection against economic loss, by sharing the risk with others.

Collective bearing of risk - Insurance is a device to share the financial loss of few among many others. Insurance is a mean by which few losses are shared among larger number of people. All the insured contribute the

premiums towards a fund and out of which the persons exposed to a particular risk is paid.

Assessment of risk - Insurance determines the probable volume of risk by evaluating various factors that give rise to risk. Risk is the basis for determining the premium rate also.

Provide Certainty - Insurance is a device, which helps to change from uncertainty to certainty. Insurance is device whereby the uncertain risks may be made more certain. The secondary functions of insurance include the following:

Prevention of Losses - Insurance cautions individuals and businessmen to adopt suitable device to prevent unfortunate consequences of risk by observing safety instructions; installation of automatic sparkler or alarm systems, etc. Prevention of losses cause lesser payment to the assured by the insurer and this will encourage for more savings by way of premium. Reduced rate of premiums stimulate for more business and better protection to the insured.

Small capital to cover larger risks - Insurance relieves the businessmen from security investments, by paying small amount of premium against larger risks and uncertainty.

Contributes towards the development of larger industries - Insurance provides development opportunity to those larger industries having more risks in their setting up. Even the financial institutions may be prepared to give credit to sick industrial units which have insured their assets including plant and machinery. The other functions of insurance include the following:

Means of savings and investment - Insurance serves as savings and investment, insurance is a compulsory way of savings and it restricts the unnecessary expenses by the insured's For the purpose of availing income-tax exemptions also, people invest in insurance.

Source of earning foreign exchange - Insurance is an international business. The country can earn foreign exchange by way of issue of marine insurance policies and various other ways.

Risk Free trade - Insurance promotes exports insurance, which makes the foreign trade risk free with the help of different types of policies under marine insurance cover.

LIFE INSURANCE BUSINESS:

Life insurers undertake the Life Insurance business; general insurers handle the rest. The business of insurance essentially means defraying risks attached to an activity (including life) and sharing the risks between various entities, both persons and organisations. Insurance companies are important players in financial markets as they collect and invest large amounts of premium in various investment instruments. Insurance offers the following benefits:

a) **Protection to investors**

b) **Accumulation of savings**

c) **Channelling these savings into sectors needing huge long-term investments.**

Insurance companies receive a steady cash stream of premium or contributions to pension plans. Their cash flows are determined on the basis

of various actuary studies and models. Since their liabilities are long-term or contingent in nature, their investments are also long-term and they are able to maintain a healthy liquidity position. Since they offer more than the return on savings in the shape of life cover to the investors, the rate of return guaranteed on their insurance policies is relatively low. Consequently, the need to seek high rates of return on their investments is also low. Since the risk factor in the insurance business is quite high, insurance companies usually invest in relatively safer bets such as bonds of GOI, PSUs, state governments, local bodies, corporate houses and mortgages of long-term nature. Lately, insurance companies have also ventured into pension schemes and mutual funds. Life insurance constitutes the major share of insurance business. Life insurance depends upon the laws of mortality. Life has to end sooner or later and the claim in respect of life is certain. On the other hand, in case of general insurance, there may never be any claim and the amount cannot be ascertained in advance. Hence, life insurance, besides providing a cover for life of individuals, also serves as a good source of savings for the beneficiaries. The life insurance market in India presents several striking features, which appear, for the most part, to be necessary concomitants of the underdeveloped nature of the country's economy.

Existences of a large number of life insurance sellers and the narrowness of the life insurance market have been the characteristics peculiar to India. The volume of life insurance business annually sold on the Indian life insurance market came on an average to about Rs 160 crore. Most of these policies were sold during the phase of private enterprise, by

Indian organisations termed "insurers" by the Indian Insurance Act (Act IV of 1938).

The term "insurers" include:

a) **Proprietary Joint Stock Companies**

b) **Mutual Joint Stock Companies**

c) **Partnership firms to which the Indian Partnership Act of 1932 applied**

d) **Co-operative Life Insurance Societies**

Customer protection:

Insurance Industry has Ombudsmen in 12 cities. Each Ombudsman is empowered to redress customer grievances in respect of insurance contracts on personal lines where the insured amount is less than Rs. 20 lakhs, in accordance with the Ombudsman Scheme. Addresses can be obtained from the offices of LIC and other insurers.

A thriving insurance sector is of vital importance to every modern economy. Firstly because it encourages the habit of saving, secondly because it provides a safety net to rural and urban enterprises and productive individuals. And perhaps most importantly it generates long-term invisible funds for infrastructure building. The nature of the insurance business is such that the cash inflow of insurance companies is constant while the payout is deferred and contingency related. This characteristic feature of their business makes insurance companies the biggest investors in long-gestation infrastructure development projects in all developed and aspiring nations. This is the most compelling reason why private sector (and

foreign) companies, which will spread the insurance habit in the societal and consumer interest are urgently required in this vital sector of the economy. Opening up of insurance to private sector including foreign participation has resulted into various opportunities and challenges in India

LIFE INSURANCE MARKET:

The Life Insurance market in India is an underdeveloped market that was only tapped by the state owned LIC till the entry of private insurers. The penetration of life insurance products was 19 percent of the total 400 million of the insurable population. The state owned LIC sold insurance as a tax instrument, not as a product giving protection. Most customers were under- insured with no flexibility or transparency in the products. With the entry of the private insurers the rules of the game have changed. The 12 private insurers in the life insurance market have already grabbed nearly 9 percent of the market in terms of premium income. The new business premium of the 12 private players has tripled to Rs 1000 crore in 2002- 03 over last year. Meanwhile, with regard to state owned LIC's new premium business has fallen.

Innovative products, smart marketing and aggressive distribution. That's the triple whammy combination that has enabled fledgling private insurance companies to sign up Indian customers faster than anyone ever expected. Indians, who have always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offers. The growing popularity of the private insurers is evidenced in other ways. They are coining money in new niches

that they have introduced. The state owned companies still dominate segments like endowments and money back policies. But in the annuity or pension products business, the private insurers have already wrested over 33 percent of the market. And in the popular unit-linked insurance schemes they have a virtual monopoly, with over 90 percent of the customers. The private insurers also seem to be scoring big in other ways- they are persuading people to take out bigger policies. For instance, the average size of a life insurance policy before privatization was around Rs 50,000. That has risen to about Rs 80,000. But the private insurers are ahead in this game and the average size of their policies is around Rs 1.1 lakh to Rs 1.2 lakh- way bigger than the industry average.

INSURANCE - IMPACT ON GENERAL PEOPLE:

Insurance sector is a major contributor to the financial savings of the household sector in the country, which are further channelized into various investment avenues. As per the Annual Report 2003-04 of IRDA, contribution of insurance funds to the financial savings was 14.9 per cent in 2003-04, viz 2.2 per cent of the GDP at current market price. The premium underwritten has grown from Rs 45,677.57 crore in 2000-01 to Rs.83, 645.11 crore in 2003-04. After liberalization of insurance sector, insurers have introduced innovative product and tailor made products which are absolutely sit to rural population. Efforts at increasing consumer awareness and putting the regulatory framework for protection of policyholder's interest have been made both the industry and regulatory level. Global market conditions have also resulted in driving down premium rates/charges in

respect of certain products and in improving the quality of services offered by the insurer.

HEALTH INSURANCE - IMPACT ON THE POOR

Developments on the health insurance front will not leave the poor unaffected. Even though private for-profit insurance companies are not expected to voluntarily provide health insurance cover to the poor, the poor may still be affected on account of the influence that development of health insurance will have on the supply of such services.

Furthermore, the poor may also directly benefit if insurance regulations are specifically designed to achieve redistribution and equity objectives. At the minimum the government must ensure that (i) the liberalisation of insurance market provides value for money for the direct beneficiaries (ii) the poor are not adversely affected by the liberalisation (Peters et al. 2000). However, the government can definitely aim higher by ensuring that the poor too benefit from the developments in health insurance. The likely impact of developing voluntary insurance on the poor is far from clear.

There are both potential benefits and risks associated with it. Development of health insurance would influence supply of health services both in terms of its quality and price. It would also influence the extent of public funds available for subsidising the poor. The potential benefits and risks are formally listed below:

POTENTIAL BENEFITS:

- If the introduction of evidence-based medicine trickles down to other providers that are used more often by the poor, the poor could benefit from the improvement in quality in the private sector;
- If public subsidy to the non-poor who join health insurance decreases, greater public resources may be available for providing subsidy to the poor.

POTENTIAL RISKS:

The gap between the poor access at present and the required access may increase with cost escalation;

- As the non-poor make a switchover from public to private hospitals there is a risk of political support for public financing getting reduced which would impact the poor by excluding them quality care from private market or by deteriorating quality and weakening support for public services (Peters et al. 2002). The poor might benefit from the expansion of private providers if the supply of health care expands due to increase in affordability resulting from health insurance. However, if prices grow faster than delivery capacity, cost escalation may even expand the existing gap between the poor and the required access to health care. All this is unpredictable, since it depends on the supply response of health care and the model of health insurance implemented in the country. Regarding the latter, it is clear that an indemnity/fee-for-service system will unavoidably result in a severe cost escalation whereas a managed care, which coordinates financing

and delivery of healthcare would probably be capable of maintaining costs under control. Managed care by containing of unnecessary treatment helps in containment of costs and thereby makes health insurance more affordable to larger number of people; provides incentives for improving healthcare delivery; promotes preventive care such as medical check ups, immunisation and so on. Since fee-for-service approach to payment of health providers tends to escalate costs the government should encourage managed care models. The pro-poor recommendations made in the World Bank organised national seminar on the topic are: (i) reduce the public subsidy to the wealthy by charging full cost recovery to the insured who use private insurance (ii) define minimum package of services cover that include preventive, maternity, and catastrophic cases (iii) encourage informal community financing schemes, for example, managed care schemes through NGOs with less regulation and lower capital deposit requirements.

IMPACT OF GLOBALISATION:

While nationalized insurance companies have done a commendable job in extending the volume of the business, opening up insurance sector to private players was a necessity in the context of globalization of financial sector. If traditional infrastructural and semipublic goods industries such as banking, airlines, telecom, power etc., have significant private sector presence, continuing a state of monopoly in provision of insurance was indefensible and therefore, the globalization of insurance has been done as

discussed earlier. Its impact has to be seen in the form of creating various opportunities and challenges. The introduction of private players in the industry has added colours to the dull industry. The initiatives taken by the private players are very competitive and have given immense competition to the on time monopoly of the market LIC. Since the advent of the private players in the market the industry has seen new and innovative steps taken by the players in the sector. The new players have improved the service quality of the insurance. As a result LIC down the years have seen the declining in its career. The market share was distributed among the private players. Though LIC still holds 75% of the insurance sector the upcoming nature of these private players are enough to give more competition to LIC in the near future. LIC market share has decreased from 95%(2002-03) to 81% (2004-05). The following company holds the rest of the market share of the insurance industry.

In a tough battle to expand market shares the private sector life insurance industry consisting of 14 life insurance companies at 26% have lost 3% of market share to the state owned Life Insurance Corporation (LIC) in the domestic life insurance industry in 2006-07. According to the figures released by Insurance Regulatory & Development Authority, the total premium of these 14 companies have shot up by 90% to Rs 19,471.83 crore in 2006-07 from Rs 10, 252 crore. LIC with a total premium mobilisation of Rs 55,934 crore has been able to retain a market share of 74.26 % during the reporting period. In total the life insurance industry in first year premium has grown by 110% to Rs 75, 406 crore during 2006-07. The 2006-07 performance has thrown a few surprises in the ranking among the

private sector life insurance companies. New entrants like Reliance Life and SBI Life had shown a huge growth of over 381% and 210% respectively during the year. Reliance Life which has become one of the top five companies ended the year with a premium of Rs 930 crore during the year. Though ICICI Prudential Life Insurance remained as the No 1 private sector life insurance company during the year. Bajaj Allianz overtook ICICI Prudential in terms of monthly market share in March, for the first time ever. Bajaj's market share among private players in non-single premium for March stood at 29.1% vs. ICICI Prudential's 23.8%. Bajaj gained 4.6 percentage point market share among private sector players for FY 2007. Among other private players, SBI Life and Reliance Life continued to do well, each gaining 4% market share in FY07. SBI Life's growth was driven by increasing contribution from ULIP premiums. Another notable developments of the 2006-07 performance has been the expansion of retail markets by the life insurance comapnies. Bajaj Alliannz Life insurance has added 20 lakh policies while ICICI Prudential has expanded over 19 lakh policies during the year.

With the largest number of life insurance policies in force in the world, Insurance happens to be a mega opportunity in India. It's a business growing at the rate of 15-20 per cent annually and presently is of the order of Rs 450 billion. Together with banking services, it adds about 7 per cent to the country's GDP. Gross premium collection is nearly 2 per cent of GDP and funds available with LIC for investments are 8 per cent of GDP. Yet, nearly 80 per cent of Indian population is without life insurance cover while health insurance and non-life insurance continues to be below international

standards. And this part of the population is also subject to weak social security and pension systems with hardly any old age income security. This itself is an indicator that growth potential for the insurance sector is immense. Well-developed and evolved insurance sector is needed for economic development as it provides long-term funds for infrastructure development and at the same time strengthens the risk taking ability. It is estimated that over the next ten years India would require investments of the order of one trillion US dollar. The Insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country.

New age companies have started their business as discussed earlier. Some of these companies have been able to float 3 or 4 products only and some have targeted to achieve the level of 8 or 10 products. At present, these companies are not in a position to pose any challenge to LIC and all other four companies operating in general insurance sector, but if we see the quality and standards of the products which they issued, they can certainly be a challenge in future. Because the challenge in the entire environment caused by globalization and liberalization the industry is facing the following challenges:-

- The existing insurer, LIC and GIC, have created a large group of dissatisfied customers due to the poor quality of service. Hence there will be shift of large number of customers from LIC and GIC to the private insurers.

- LIC may face problem of surrender of a large number of policies, as new insurers will woo them by offer of innovative products at lower prices.
- The corporate clients under group schemes and salary savings schemes may shift their loyalty from LIC to the private insurers.
- There is a likelihood of exit of young dynamic managers from LIC to the private insurer, as they will get higher package of remuneration.
- LIC has overstaffing and with the introduction of full computerization, a large number of the employees will be surplus. However they cannot be retrenched. Hence the operating costs of LIC will not be reduced. This will be a disadvantage in the competitive market, as the new insurers will operate with lean office and high technology to reduce the operating costs.
- GIC and its four subsidiary companies are going to face more challenges, because their management expenses are very high due to surplus staff. They can't reduce their number due to service rules.
- Management of claims will put strain on the financial resources, GIC and its subsidiaries since it is not up the mark.
- LIC has more than to 60 products and GLC has more than 180 products in their kitty, which are outdated in the present context as they are not suitable to the changing needs of the customers. Not only that they are not competent enough to complete with the new products offered by foreign companies in the market.
- Reaching the consumer expectations on par with foreign companies such as better yield and much improved quality of service particularly

in the area of settlement of claims, issue of new policies, transfer of the policies and revival of policies in the liberalized market is very difficult to LIC and GIC.

- Intense competition from new insurers in winning the consumers by multi-distribution channels, which will include agents, brokers, corporate intermediaries, bank branches, affinity groups and direct marketing through telesales and interest.
- The market very soon will be flooded by a large number of products by fairly large number of insurers operating in the Indian market. Even with limited range of products offered by LIC and GIC, the consumers are confused in the market. Their confusion will further increase in the face for large number of products in the market. The existing level of awareness of the consumers for insurance products is very low. It is so because only 62% of the Indian population is literate and less than 10% educated. Even the educated consumers are ignorant about the various products of the insurance.
- The insurers will have to face an acute problem of the redressal of the consumers, grievances for deficiency in products and services.
- Increasing awareness will bring number of legal cases filled by the consumers against insurers is likely to increase substantially in future.
- Major challenges in canalizing the growth of insurance sector are product innovation, distribution network, investment management, customer service and education.

ESSENTIALS TO MEET THE CHALLENGES:

- Indian insurance industry needs the following to meet the global challenges
- Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability.
- Selection of right type of distribution channel mix along with prudent and efficient FOS [Fleet On Street] management.
- An efficient CRM system, which would eventually create sustainable competitive advantages and build a long-lasting relationship.
- Insurers must follow best investment practices and must have a strong asset management company to maximize returns.
- Insurers should increase the customer base in semi urban and rural areas, which offer a huge potential.
- Promoting health insurance and using e-broking to increase the business.

INSURANCE: LIC & GIC EXPANSION THROUGH BRANCHING:

Life insurance in India made its debut well over 100 years ago. In our country, which is one of the most populated in the world, the prominence of insurance is not as widely understood, as it ought to be. What follows is an attempt to acquaint readers with some of the concepts of life insurance, with special reference to LIC. It should, however, be clearly understood that the following content is by no means an exhaustive description of the terms and conditions of an LIC policy or its benefits or

privileges. For more details, please contact our branch or divisional office. Any LIC Agent will be glad to help you choose the life insurance plan to meet your needs and render policy servicing.

LIFE INSURANCE CORE ASPECT:

Life insurance is a contract that pledges payment of an amount to the person assured (or his nominee) on the happening of the event insured against. The contract is valid for payment of the insured amount during:

- The date of maturity, or
- Specified dates at periodic intervals, or
- Unfortunate death, if it occurs earlier.

Among other things, the contract also provides for the payment of premium periodically to the Corporation by the policyholder. Life insurance is universally acknowledged to be an institution, which eliminates 'risk', substituting certainty for uncertainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner. By and large, life insurance is civilisation's partial solution to the problems caused by death. Life insurance, in short, is concerned with two hazards that stand across the life-path of every person:

1. That of dying prematurely leaving a dependent family to fend for itself.
2. That of living till old age without visible means of support.

LIFE INSURANCE VS. OTHER SAVINGS:

Contract of insurance:

A contract of insurance is a contract of utmost good faith technically known as uberrima fides. The doctrine of disclosing all material facts is embodied in this important principle, which applies to all forms of insurance. At the time of taking a policy, policyholder should ensure that all questions in the proposal form are correctly answered.

Any misrepresentation, non-disclosure or fraud in any document leading to the acceptance of the risk would render the insurance contract null and void.

Protection:

Savings through life insurance guarantee full protection against risk of death of the saver. Also, in case of demise, life insurance assures payment of the entire amount assured (with bonuses wherever applicable) whereas in other savings schemes, only the amount saved (with interest) is payable.

Aid to thrift:

Life insurance encourages 'thrift'. It allows long-term savings since payments can be made effortlessly because of the 'easy installment' facility built into the scheme. Premium payment for insurance is either monthly, quarterly, half yearly or yearly. For example: The Salary Saving Scheme popularly known as SSS, provides a convenient method of paying premium each month by deduction from one's salary. In this case the employer

directly pays the deducted premium to LIC. The Salary Saving Scheme is ideal for any institution or establishment subject to specified terms and conditions.

Liquidity:

In case of insurance, it is easy to acquire loans on the sole security of any policy that has acquired loan value. Besides, a life insurance policy is also generally accepted as security, even for a commercial loan.

Tax relief:

Life Insurance is the best way to enjoy tax deductions on income tax and wealth tax. This is available for amounts paid by way of premium for life insurance subject to income tax rates in force. Assessees can also avail of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for insurance than otherwise.

SHAPING OF LIFE INSURANCE CORPORATION:

Life insurance in the modern form was first set up in India through a British company called the Oriental Life Insurance Company in 1818 followed by the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. All of these companies operated in India but did not insure the lives of Indians. They were there insuring the lives of Europeans living in India. Some of the companies that started later did provide insurance for Indians. But, they were treated as "substandard" and therefore had to pay an extra premium of 20% or more. The first company that had policies that could be bought by Indians with "fair value" was the

Bombay Mutual Life Assurance Society starting in 1871. The first general insurance company, Triton Insurance Company Ltd., was established in 1850. It was owned and operated by the British. The first indigenous general insurance company was the Indian Mercantile Insurance Company Limited set up in Bombay in 1907. By 1938, the insurance market in India was buzzing with 176 companies (both life and non-life). However, the industry was plagued by fraud. Hence, a comprehensive set of regulations was put in place to stem this problem. By 1956, there were 154 Indian insurance companies, 16 non-Indian insurance companies and 75 provident societies that were issuing life insurance policies. Most of these policies were centered in the cities (especially around big cities like Bombay, Calcutta, Delhi and Madras). In 1956, the then finance minister S. D. Deshmukh announced nationalization of the life insurance business. The nationalization of life insurance was justified mainly on three counts. (1) It was perceived that private companies would not promote insurance in rural areas. (2) The Government would be in a better position to channel resources for saving and investment by taking over the business of life insurance. (3) Bankruptcies of life insurance companies had become a big problem (at the time of takeover, 25 insurance companies were already bankrupt and another 25 were on the verge of bankruptcy). The experience of the next four decades would temper these views.

The life insurance industry was nationalized under the Life Insurance Corporation (LIC) Act of India. In some ways, the LIC has become very successful. (1) Despite being a monopoly, it has some 60-70 million policyholders. Given that the Indian middle-class is around 250-300 million,

the LIC has managed to capture some 30 odd percent of it. (2) The level of customer satisfaction is high for the LIC (one of the findings of the Malhotra Committee, see below). This is somewhat surprising given the frequent delays in claim settlement. (3) Market penetration in the rural areas has grown substantially. Around 48% of the customers of the LIC are from rural and semi-urban areas. This probably would not have happened had the charter of the LIC not specifically set out the goal of serving the rural areas. One exogenous factor has helped the LIC to grow rapidly in recent years: a high saving rate in India. Even though the saving rate is high in India (compared with other countries with a similar level of development), Indians exhibit high degree of risk aversion. Thus, nearly half of the investments are in physical assets (like property and gold). Around twenty three percent are in (low yielding but safe) bank deposits. In addition, some 1.3- percent of the GDP are in life insurance related savings vehicles. This figure has doubled between 1985 and 1995.

Life insurance corporation is unlikely to get clearance from insurance regulatory and development authority for hiking its stake in corporation bank from 12.32 to 26.93 per cent, as the prudential investment norms permit only a maximum 20 per cent exposure in a company. IRDA can not allow LIC to breach the present prudential norms, so status quo continues as far as its proposal is concerned, official sources said on friday. Corporation bank's aggressive expansion plan utilising LIC's branch network and the insurer's 'bancassurance' plans may be adversely affected if IRDA sticks to its prudential norms. When contacted, IRDA chairman n rangachary declined to comment but asserted that all insurers including LIC

have to abide by the present prudential investment guidelines. According to the IRDA investment (amendment) regulation 2001, LIC is permitted to invest upto 20 per cent in equity capital of a company or 5.0 per cent of its controlled funds, whichever is less. However, official sources said an earlier LIC act allows the insurer to take a maximum 30 per cent stake in a company. Accordingly, LIC had signed an MoU with corporation bank to hike its stake from 12.32 to 26.93 per cent. Government stake would have been diluted to 56.94 per cent from 68.33 per cent after the allotment. The proposal of selling 2.4 crore equity to LIC through preferential allotment at Rs 196 a share totaling Rs 470.40 crore was approved by the bank's board and shareholders. But sources said IRDA regulations supersede all previous acts of PSU insurance companies and LIC's decision to invest over 20 per cent would not be applicable. The conflicting provisions in IRDA and LIC acts were somehow overlooked while the regulation was drafted. LIC too did not bring it to the notice of IRDA before finalisation of the draft regulations. LIC can achieve its objective only if IRDA relaxes its investment norms in the near future. IRDA sources, however, ruled out any immediate relaxation of the investment regulations, which was announced in April, just for the sake of LIC, saying other private players might also breach the regulations and demand relaxation. LIC is believed to have taken up the issue with the government, which had earlier given an in-principle nod to the proposal that would benefit both parties. LIC's earlier proposal of setting up a bank was shot down by government while corporation bank's insurance foray was also thumbed down by RBI. Following the developments, the insurance behemoth decided to raise its stake in banks like corporation bank and

oriental bank of commerce, to consolidate its position in the banking sector and go ahead with its bancassurance plan. Under the MoU, corporation bank would act as a 'corporate agent' to sell LIC's policies through its branch network. LIC and corporation bank also planned to set up a company, which act as a primary dealers for trading in government securities.

GENERAL INSURANCE INDUSTRY IN INDIA:

General Insurance provides much-needed protection against unforeseen events such as accidents, illness, fire, burglary et al. Unlike Life Insurance, General Insurance is not meant to offer returns but is a protection against contingencies. Almost everything that has a financial value in life and has a probability of getting lost, stolen or damaged, can be covered through General Insurance policy. Property (both movable and immovable), vehicle, cash, household goods, health, dishonesty and also one's liability towards others can be covered under general insurance policy. Under certain Acts of Parliament, some types of insurance like Motor Insurance and Public Liability Insurance have been made compulsory. Major insurance policies that are covered under General Insurance are:

1- Home Insurance

2- Health Insurance

3- Motor Insurance

4- Travel Insurance

The general insurance industry in India was nationalised and a government company known as General Insurance Corporation of India (GIC) was formed by the Central Government in November 1972. With effect from 1 January 1973 the erstwhile 107 Indian and foreign insurers which were operating in the country prior to nationalisation, were grouped into four operating companies, namely, (i) National Insurance Company Limited; (ii) New India Assurance Company Limited; (iii) Oriental Insurance Company Limited; and (iv) United India Insurance Company Limited. All the above four subsidiaries of GIC operate all over the country competing with one another and underwriting various classes of general insurance business except for aviation insurance of national airlines and crop insurance which is handled by the GIC. From 799 offices in 1973, the network grew to 4,208 offices as on 31 March 1998.

Besides the domestic market, the industry is presently operating in 17 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies. The wholly-owned subsidiary of GIC known as India International Insurance Private Limited set up in 1988 in Singapore has grown into a leading company in the Singapore market. The gross premium income of the general insurance industry in India during 1997-98 was Rs 7,736 crore as against Rs 7,021 crore during 1996- 97 representing a growth of 10.2 per cent over the premium income of 1996-97. The net premium income of the general insurance industry in India during 1997-98 was Rs 6,725 crore as against Rs 6,041 crore during 1996-97 representing a growth of 11.3 per cent over the net premium income of 1996-97. The gross profit of the industry during 1997-98 were Rs 1,623

crore as against Rs 1,084 crore in 1996-97 recording a growth of 49.7 per cent over the previous year. The net profits of the industry during 1997-98 were Rs 1,255 crore as against Rs 719 crore in 1996-97 representing a growth of 74.5 per cent over the previous year.

Hut Insurance Scheme for Poor Families in Rural Areas provides fire insurance cover for huts and belongings of landless labourers, small farmers, artisans and other poor families in rural areas. Under the Scheme, compensation is provided for an amount not exceeding Rs 1,000 for a hut and Rs 500 for belongings in the hut destroyed by fire. The Central Government is bearing the entire premium in respect of the scheme. During the year 1997-98, 40,554 claims involving an amount of Rs 4.85 crore were settled.

HEALTH INSURANCE COVERAGE:

Mediclaim Insurance Policy has recently been revised. The revised policy does away with the sub-limits under the various sub-heads and offers just one sum-insured ranging from Rs 15,000 to Rs 3,00,000. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domicillary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance. Premium is calculated on the basis of age of the proposer and the sum insured opted for JanArogya Bima Policy which is primarily meant for the larger segment of the population who cannot afford the high cost of medical treatment, was introduced with effect from 12 August 1996. The limit of cover per person is Rs 5,000 per annum. The premium payable is very low depending on the age

of the person covered ranging from Rs 70 to Rs 140 per person per year and Rs 50 per dependent child below 25years. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domicillary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance.

The existing Overseas Mediclaim Policy offering emergency medical expenses cover to overseas travellers has been extended to include In-flight Personal Accident cover up to US $ 10,000 and Loss of Passport cover upto US $ 150 from 1 April 1997.The extended cover will be available without payment of additional premium under Business and Holiday cover and under the Corporate Frequent Travellers cover. A more comprehensive policy with additional benefits has also been devised. A new policy called Videsh Yatra Mitra covering supplementary benefits besides providing indemnity for medical expenses during the period of overseas travel, has been introduced by the general insurance industry with effect from 1 January 1998.Two types of policies—one offering limit of benefits upto US $ 2,50,000 for worldwide travel but excluding USA and Canada and the other offering limit of benefits up to US$ 5,00,000 for worldwide travel including USA and Canada are available under the Scheme.

In addition to medical coverage, the policy also provides coverage for: (i) Personal Accident up to US $ 25,000; (ii) Loss of Personal Baggage up to US $ 1,000; (iii) Delayed Baggage up to US $ 100 and (iv) Personal Liability up to US $ 2,00,000. The premium under the policy is only 14 per cent more than that under the existing Overseas Mediclaim Policy (OMD), while the medical benefits will be increased five times in addition to supplementary

benefits. Bhagyashree Child Welfare Policy covering girl child in the age group of 0 to 18 years whose parents' age does not exceed 60 years, was introduced with effect from 19 October 1998. In case of each of the girl child or both parents, an amount of Rs 25,000 would be deposited in the name of the girl child with a financial institution. Fixed annual disbursements to the girl child up to the age of 18 years would be made from the amount to her credit, and the balance amount to her credit would be disbursed on attaining the age of 18 years.

Raj Rajeshwari Mahila Kalyan Yojana offering security to women in the age group of 10 to 75 years irrespective of their occupation was introduced with effect from 19 October 1998. For a premium of Rs 15 per annum, the policy provides a cover of Rs 25,000 for permanent total disablement of the insured woman.

The policy also provides a cover of Rs 25,000 for the death of her husband. For the death of an unmarried woman, the policy provides a cover of Rs 25,000 which will be payable to her nominee/legal heir. Crop Insurance Scheme was introduced from 1985 Kharif season. The scheme is implemented in 15 States and two UTs. The scheme is administered by GIC on behalf of Central government. The premium and claims are shared by the Central and State governments in the ratio of 2:1 respectively. There are 11 Crop Insurance Cells at State capitals and UTs under GIC. These cells maintain close liaison with the State governments and monitor the implementation of the scheme. The susbsidiaries of GIC have introduced Jald Rahat Yojana with an objective to expedite payment of compensation to road accident victims. Under the scheme a claimant is not required to go to

Motor Accident Claims Tribunal for claiming compensation and can directly approach concerned insurance company. Non-fatal injury claims involving accident victims of 18 years and above are taken up. The scheme is in operation in Ahmadabad, Mumbai, Bangalore, Calcutta, Delhi, Kochi, Chennai and Pune.

INSURANCE TOWARDS RURAL & REMOTE AREAS:

Rural India is hugely under-insured and this is a tremendous opportunity for the insurance sector. The information technology revolution has made sure that the rural areas are now better connected to the rest of the world and this provides an incentive for the insurance sector to jump in, according to Pradeep Kashyap, Managing Director MART and a key rural marketing consultant. Indian banks have already made headway in rural areas, he said. While the traditional method of saving in villages was real estate and gold, there is now a demand for financial instruments such as fixed deposits, mutual funds and even stocks and shares.

According to a recent survey, the number of households investing in such financial instruments was exactly the same in rural and urban areas i.e. 6.2 million. Kashyap was the keynote speaker at `Rural Asia 2005,' the two-day summit on rural marketing in Asian countries. Highlighting the various aspects of rural marketing and key issues that need to be addressed, he said, it was important to bridge the gap between India and Bharat, culturally, physically and emotionally.

PROBLEM IN RURAL AREAS:

The main obstacle in the growth of life insurance business in rural areas was illiteracy, poverty, lack of insurance awareness, lack of saving habits for long term needs, tendency to hoard gold etc. The absence of infrastructure also created further problems.

The new business of LIC in 1962-63 was Rs.745.96 (crores). New polices in 1961 numbered over 14.70 lakhs. LIC, became the premier national institution charged with mobilising the savings of the people although the cost of administration was slightly up due to increase in prices of stationary, printing etc., but it was able to bring down the renewal expenses ratio from 17.3% in 1955 to 12.42% in 1961.

Table no. 12

YEAR	BUSINESS IN RURAL AREAS (Rs. in CRORES)	% OF BUSINESS IN RURAL AREAS TO NEW BUSINESS (Rs. in CRORES)
1957	*102.14*	*37*
1958	*128.40*	*38*
1959	*177.59*	*43*
1960	*224.56*	*46*
1961	*182.59*	*30.5*

Table no. 13

DURING THE FIVE YEAR RURAL BUSINESS WAS AS FOLOWS:

YEAR	TOTAL NEW BUSINESS OF INDIA (IN CRORES)	BUSINESS IN RURAL AREAS (Rs. in CRORES)	% OF RURAL BUSINESS TO TOTAL NEW BUSINESS	
			SUM ASSURED	*NUMBER OF POLICIES*
19-72-73	*1725.78*	*441.45*	*25.6*	*31.9*
1973-74	*1912.73*	*498.17*	*26.0*	*31.4*
1974-75	*1760.80*	*468.27*	*26.4*	*31.9*
1975-76	*2103.92*	*563.53*	*26.8*	*32.4*
1976-77	*2095.33*	*575.34*	*27.5*	*33.4*

LACK OF RURAL MARKETING:

The critical missing input was knowledge on the subject. In India for example, not even a dozen business schools offer rural marketing as a core subject and a majority do not offer it as an option at all. Most governmental marketing agencies that handle marketing of rural products do not employ professionals. There is also a general lack of understanding of the rural customer. Most research agencies are using western techniques to map rural consumers in South Asia. Mobile traders are the most common way of reaching the rural consumer and if companies tap this source it would go a long way with the rural population. He also pointed out the headway made by several prominent Indian companies in reaching rural consumers.

The now-famous e-chaupal initiative by ITC and the nascent project Shakti by Hindustan Levers has reached the villages in many parts of India.

Most villages are now connected through STD facilities. Large format stores started by companies such as ITC and Godrej are empowering the rural consumer. Haats or village mandis are another way popular way that large companies are trying to reach rural consumers. He said that though large conglomerates are making headway with the rural consumer, the penetration leaves much to be desired. Unless the governmental agencies and banking and insurance sectors jump in, rural markets will remain largely untapped.

The primary goal for the formation of LIC was to spread the life insurance much more widely and in particular to the rural areas, including the socially and economically backward classes and to maximize the mobilization of people's savings by making insurance – linked savings. LIC marketed insurance less as a risk management tool and more as a savings instrument with a tax edge. Since nationalization, LIC has reached the various corners of country and provide the sales and service of life insurance to Indian public at their doorsteps. LIC has been able to reach illiterate people, those living in interior rural areas and even people in the marginal income group or below the poverty line. They not only cover the organized sector under various group schemes, but also through some group insurance schemes, cover the unorganized sector.

The LIC has introduced a variety of products (approximately 150) to meet the needs of specific groups and has been evolving newer products as the need arises. In order to diversify and meet the customers other requirements, the LIC has set up subsidiaries such as LIC Mutual Fund, LIC Housing Finance Ltd., and LIC (International) E.C. LIC also spread its

activities in other countries, and has offices in the UK, Mauritius, Fiji, Nepal and Iran. LIC has been able to spread the insurance culture fairly widely, has mobilized large savings for national development and has financed socially important sectors like housing, electricity, water supply and sewerage.

The main achievements of LIC and GIC are the improved delivery systems, a large number of products on offer, geographical spread, reach and presence in remote areas served by a wide network of intermediaries, systems to manage very large funds, substantial funding of infrastructure creation, fulfillment of social obligations, large and qualified staff, and recently better service through a fair amount of computerization. Some of the main shortcomings of LIC and GIC were to show a bias towards the city based trade and industry for a number of years, low coverage as compared to other countries, low awareness level especially for General insurance products, unattractive commission structure for good agents to survive on a full time basis, unresponsive distribution channel for customer needs and their lack of knowledge, poor quality of customer service, excessive staff, corruption, little R & D effort, excessive government directed investment of funds which resulted in poor investment skills and the personal lines of business were not getting adequate attention.

The General insurance products were never aggressively marketed and their coverage has almost entirely been restricted to the entities required to buy insurance as a legal compulsion. Still rural penetration by private insurers is almost non-existent, as they service the profitable, urban segment of the insurance market. By contrast, in 2003-04 alone 17.85 per

cent of the new policies underwritten by the LIC were from the rural sector. The average policy size of an insurer in a private company is Rs.3,00,000; the corresponding policy size in the LIC is Rs.72,000, suggesting the different consumer segments that public and private insurance sectors service.

Their large scale of operations, public sector bureaucracies and cumbersome procedures hampers nationalized insurers. The field staff and the agents of the GIC and its four wholly owned subsidiary companies have seldom bothered to venture out into the rural hinterland to sell crop or any other personal line insurance. Given the woeful lack of penetration of the rural market by the GIC subsidiaries, it is hardly surprising that a growing number of farmers across the country are resorting to the extreme remedy of suicide when their usually uninsured crops fail. The highest paid employees of the public sector, the estimated half-a-million employees of the nationalized insurance companies, are characterized by abysmal productivity, utter ignorance of the basic principles of the insurance business, endemic corruption, gross indiscipline and sheer laziness. Dominating the inevitably weak management of the nationalized insurance companies, the militant and strongly unionized employees of the nationalized monopoly insurance companies have transformed Indian insurance from volume-driven into class-based business. The domestic insurance companies, despite meeting their social objectives of going into the deepest interiors of the country, have lagged behind in meeting customer expectations in products and services.

PRIVATIZATION: START UP STRATEGY:

Potential private entrants therefore expect to score in the areas of customer service, speed and flexibility. They point out that their entry will mean better products and choice for the consumer. Critics counter that the benefit will be slim, because new players will concentrate on affluent, urban customers as foreign banks did until recently. This might seem a logical strategy from the point of view of new players. Start-up costs-such as those of setting up a conventional distribution network-are large and high-end niches offer better returns. However, in the long run 'middle-market' offers the greatest potential as in terms of it is the second largest market in the world. This may still be an urban market but goes beyond the affluent segment.

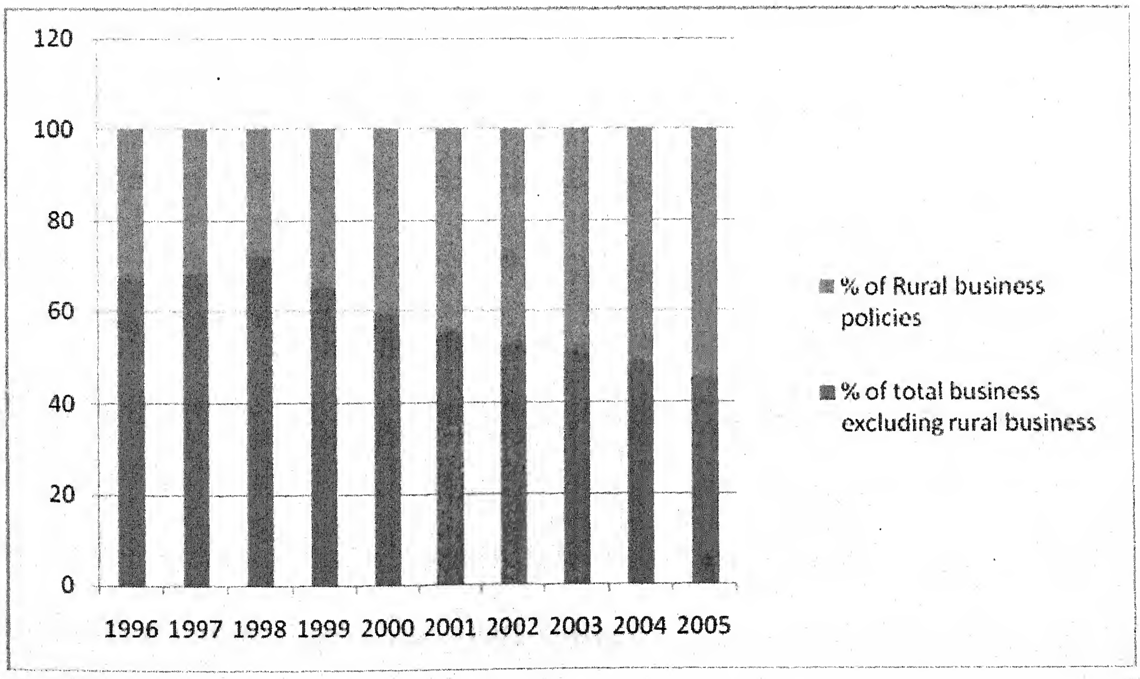
RURAL BUSINESS OF LIFE INSURANCE CORPORATION OF INDIA:

One of the features in the New Business of the LIC is that the share of Rural Business both in respect of policies and sum assured has been steadily increasing. As on 31st of March, 1999 the percentage of policies secured from rural areas stood at 54.7% and in respect of sum assured it was 47%. The growth rate of rural business is also higher than the growth rate of urban business with about 18% in respect of policies and 28.5% in respect of sum assured whereas the growth rate in respect of urban business was around 3.86% in respect of policies and 10.75% in respect of sum assured. The comparative figures over the last years are given below:

Table no. 14

	RURAL BUSINESS		**% OF RURAL BUSINESS TO TOTAL BUSINESS**	
Year	**Policies (in lakhs)**	**Sum Assured (in crores)**	**Policies**	**Sum Assured**
1996	4.61	251.764	33.00	24.54
1997	5.72	464.27	31.85	26.37
1998	5.91	603.77	28.20	22.09
1999	9.52	1569.62	35.26	29.20
2000	30.48	8086.35	41.23	34.33
2001	49.02	21571.00	45.10	39.10
2002	52.57	21263.59	47.70	41.00
2003	60.33	24278.73	49.20	42.80
2004	68.40	27550.69	51.40	43.30
2005	81.23	35372.94	54.70	47.00

Diagram: 4



From the above, it may be seen that in respect of New Business, the percentage of rural business to total business has been steadily increasing over the years.

LIC differentiates the policies between rural and urban on the basis of the address given by the policyholder. Therefore, even if a person is residing in an urban area but has given his address in rural area, the policy would be termed as a rural area policy.

SPECIFIC SCHEME:

The Finance Minister in his budget speed for 2000-01 had announced introduction of a new scheme of group insurance called Janashree Bima Yojana. In pursuance to the above announcement, Government has launched Janashree Bima Yojana in June 2000. The salient features of the scheme are as under:

Coverage:

The Janashree Bima Yojana covers all families below the poverty line in the rural and urban areas. In rural areas one policy per family at subsidized rate would be available. Non-subsidized (general) policy can be availed of by other members. However, in urban areas the poor would also include marginally above the poverty line persons if they belong to an identified occupational group. The scheme would be operated through LIC and additional occupational groups would be identified and notified by LIC in consultation with the State Governments / nodal agencies. The groups should have a minimum of 25 beneficiaries, whether found under aegis of

Panchayats, NGOs, Self-help groups, nodal agencies or any other institutionalized arrangements.

Benefits:

The benefits under the scheme is Rs.20,000/- on natural death and Rs.50,000/- on death/ total permanent disability due to accident and Rs. 25,000/- in case of partial permanent disability due to accident. In addition, for those who are enrolled as members of the Janashree Bima Yojana for five years, a bonus, to be announced by LIC, would be paid.

Premium:

The premium under the scheme is Rs.200/-per year. 50% of the premium i.e., Rs.100/- would be met from the Social Security Fund for both urban and rural poor. The balance 50% of the premium i.e., Rs.100/- is to be paid by the individual beneficiary with a liberty to the State Governments/nodal agencies to further subsidize the amount payable by the individual beneficiary. For additional member of family from rural poor the entire premium would have to be met by the beneficiary.

It is proposed to cover nearly one crore beneficiaries under Janashree Bima Yojna during the first five years.

PROFITABILITY V/S SOCIAL SERVICE:

The Insurance industry in India has been progressing at a rapid pace since opening up of the industry in 2000. As per Assocham, India's premier apex chamber of industries, the country's domestic insurance market would touch around US$ 60.5 Billion by the year 2010 from existing size of about

US$ 10.2 Billion. According to the Insurance Regulatory and Development Authority ("IRDA"), new business premium income from April 2006 to February 2007 amounted to INR579.38 billion (US$13.18 billion), registering an impressive 120% growth over the same period last year. The Insurance industry graph is definitely ascending. Distribution accounts for the largest element in insurer's cost and affects profitability. The size of the country combined with problems of connectivity in the rural areas, makes insurance selling in India a difficult proposition.

The distribution capabilities strongly influence product design in insurance. The distribution channels have a direct impact on the insurer's market image. Emergence of alternative channels such as Bancassurance and Internet is reshaping the insurance industry. India with a population of more than a billion people offers unlimited growth potential especially in the rural areas. "Only 3.5 per cent of the [Indian non-life insurance] market has been tapped," says Dalip Verma, the managing director of Tata AIG General Insurance. "Our share of the world market is a mere 0.24 per cent. Our non-life insurance sector today is of the order of about $2 billion, or roughly Rs 11,000 crore. There's enough business for everybody." Mr Verma has more statistics to offer that show up the country in poor insuring light. "Compared with the average per person premium of $16 [Rs 752] for South East Asian countries, India's [insurance premium] outgo is barely $2 [Rs 94] per person," he adds. That figure looks punier still when held up against the Rs 70,500 ($1,500) per person for Japan and the whooping Rs 1,17,500 ($ 2,500) for the United States. Mr Verma's colleague V. Krishnan, vice president (agency operations), is even more explicit. "By the time the day is

done, over Rs 30 crore worth of premiums change hands in India," he explains, "and Rs 900 crore by the end of every month. Every minute Rs 2.09 lakh worth of premiums are being paid and every hour Rs 1.26 crore." If that doesn't sound exciting enough for insurance fans, Mr Krishnan has more: "I get up in the morning and the first thing that comes to my mind is that I have not even touched the tip of the market.

As much as 40 per cent of the business comes from just four cities: Ahmedabad, Mumbai, Pune and Vadodara." Adds Verma: "By 2015, the non-life insurance business market in India is expected to grow to around $10 billion or about Rs 50,000 crore." Quite possible, given that the market grew from a minuscule Rs 200 crore in 1973 to today's Rs 10,000 crore. Experts attribute this exponential jump to rapid industrialisation, population expansion, greater disposable incomes, more personal assets and increasing safety awareness. These factors are, if anything, going to be even more of an influence in the years to come. Who says insurance is a boring business and the insurance agent a sorry salesman? Not the companies crowding the country's insurance landscape.

IRDA:

globalisation — liberalisation — privatisation wave supported by the information and communications revolution has impacted the insurance sector in India also. After a lot of hullabaloo, the Insurance Regulatory and Development Act came into effect about six months back. And the Indian insurance sector was opened to the private sector and foreign investment. What is the kind of the market scene that is evolving in the insurance

sector? What are the broad parameters that should shape an optimal strategy of an insurance company in the kind of market structure that is anticipated? It is pertinent to reflect on these questions. Experts had anticipated that the new policy would amount to opening floodgates. However, that has not happened. Not many players have entered the arena. There has been caution on the side of investors, both domestic and foreign, and on the side of the Indian Government as well.

The government is cautious, particularly in view of the problems created by undesirable practices of some unscrupulous private insurance companies that had led to the nationalisation of life insurance in 1956 and general insurance in 1972. Only six companies have been given the licence so far. These are ICICI Prudential Life Insurance Co. Ltd, HDFC Standard Insurance Co. Ltd, Royal Sundaram Alliance Insurance Co. Ltd, Reliance General Insurance Co. Ltd., IFFCO-Tokio Marine Co. Ltd., and Max New York Life Insurance Co. Ltd. There are strong anti-privatisation, liberalisation and globalisation forces within the National Democratic Alliance as well as among the Opposition parties. The government does not really want to be that liberal. Foreign equity participation is limited to a maximum of 26 per cent.

The Insurance Regulatory and Development Authority provides a rigorous regulatory system. Foreign companies and the private sector are hesitant. Besides the feeling that the new environment is not liberated enough, there is a kind of confusion regarding the role of the government in future. Will the government be stable? There exists a tenuous equilibrium at the Centre amidst the interplay of a multitude of countervailing forces.

Things are in a flux in so many states. Even if there is political stability, will it continue to translate into a stable economic policy? Will the reform process continue? Or, will there be a reversal? If the process continues, will the speed be maintained? Or, will it slow down? Will there be a let-up in the criminalisation of various sections of society? There are certain economic reasons for the slow response of the players as well; for example, the requirement of a large organisation and investment, and the risk-return tradeoff. There may be a kind of feeling among foreign investors that 26 per cent equity participation is too low to make a profitable proposition. Will the need for the insurance of a large population get transformed into an effective demand at a reasonable cost plus price? Etc.

CURRENT SCENARIO:

Looking at the present scene, one can visualise that some more insurance companies, both in life and non-life sectors, will get licences in the near future. A kind of economic mutation and selection dynamics will ensue in the insurance arena of competition. The market, in all likelihood, should settle down to an oligopoly structure with, say, about 15 or so, players, in the long run. They will have intense rivalry. There will be collusion and splits, mergers and acquisitions, takeovers and diversification. The LIC and the GIC (with its four constituent companies functioning separately), albeit after a substantial restructuring, may remain dominant leaders in the market for quite some time.

Market itself is a great regulator. Adam Smith's invisible hand is indeed powerful. The insurance sector will operate under the dual control of

the market and the Insurance Regulatory and Development Authority (IRDA). The rules of the game for the players in the industry will evolve through a mix of cooperation and tussle between the IRDA and market mechanism. The two will cooperate because both will be interested in the growth of insurance activity in the economy.

There will be tussle between the two because the market mechanism will pull the system more in the direction of efficiency and survival of the fittest while the IRDA will focus more on broader social objectives, including, the interests of policy holders and the public at large. It is a legal requirement that foreign companies can enter the Indian insurance sector only in collaboration with an Indian company. There will be pressure for allowing wholly-owned foreign companies. But there is an economic rationale for the emerging collaborations. It is the complementary strength of foreign and national companies.

Indian companies understand the domestic market better. They can have a better recruitment and selection system, as they understand the socio-cultural-economic milieu of the people in India. On the other hand, foreign companies will have stronger financial base and superior technology. The synergy will yield more efficient organisations. The standard of competition is expected to rise in view of foreign participation. The quality and range of service will improve. We expect greater professionalism. But it is doubtful whether the elite professional companies in the private sector will be able to reach the lower middle and poor classes of the Indian society. The LIC and the GIC with their already established comprehensive distribution channels and an outlook of serving society at large would have

a definite competitive advantage in this segment. Carefully formulated and efficiently implemented, the services meant for this segment may also earn profits for the LIC and the GIC even if they remain public sector organisations.

The need for safety is instinctual. It is ever unsatiated. It is infinite. It is certain. Thus, the need for insurance service will be infinitely large and certain. The insurance companies will only vie with one another for converting the need into an effective demand. Customer value will be the prime concept. The companies will compete among themselves for creating, delivering and communicating customer value to their target market. The performance of a company in achieving its objectives — market share, shareholder value, etc — will depend on how well it creates, delivers and communicates that value vis-a-vis the rivals.

The standard principles of economics will not be useful as such. However, the theory of oligopoly under uncertainty may guide as regards the best course of action for the competing players and also to the IRDA. The principles of marketing management, which largely presume an oligopoly or to some extent monopolistic competition in the market place, will indeed be very relevant not only for the companies seeking wider market penetration but also for the IRDA to devise optimum regulatory and development norms and directives. While the insurance companies will systematically engage themselves in determining the insurance needs, wants and interests of the target markets and delivering the desired satisfaction more effectively and efficiently than their competitors, they will also need to build social and ethical considerations into their business practices. They will balance and

juggle the often-conflicting criteria of company profits, consumer want satisfaction, and public interests.

THE FUTURE BUSINESS:

The future business philosophy of an insurance company must, for gaining sustained competitive edge, be derived from such a societal business concept. For example, the premium for insurance may be higher for those activities — like manufacturing plastic bags or plastic containers — that may be polluting the environment, or there may be a concession for environment-friendly activities like tree plantation. The humanistic dimension of societal marketing is indeed relevant. For example, a company insures a couple against accidents if that adopts an orphan girl-child without charging any premium. Or, a company insures one woman of a family below the poverty line against maternity risks of her first baby, on the recommendation of a policyholder at a nominal charge from him/her. A company can get an edge over its rivals through advertisements on "how to remain healthy", "how not to run into an accident while driving", etc, or, by organising workshops on risk minimisation, stress management, etc.

In the past, the relationship between insurance companies and their customers was thought to be almost a zero-sum game. Thus the insurance companies would generally doubt the claim of a customer in the case of an accident. They would try to pay as less an amount as possible. The cases were often settled in courts. That is not good business concept. The new business concept would say, "trust your customer and be liberal". For example, suppose a death has occurred due to an accident. Suppose the

insurance company pays a reasonable amount as soon as it comes to know about the same without going into the details of whether the customer had proper licence, or whose fault was responsible for the accident. It will attract many customers in future to its fold and make profit out of the increased market share. "Yogakshemam Vahamyaham" is not a mere slogan. It is a mission statement meant for market penetration. This should not be construed as an advocacy for an insurance company to become a totally philanthropic organisation. It must remain a business organisation with its own organisational goals such as increasing shareholder value, market share, profits, etc. It must be underlined that the societal business concept is a business concept, not an inverse alternative to it. The hope is that the societal business concept will only facilitate market penetration. An optimal strategy would require a company to be ready to play new-game strategies as the rules of the game unfold through time, and to build long-term relationships with customers and, more important, with a social cause. The companies in future will compete on the basis of "discover and produce solutions the customers did not ask for but to which they enthusiastically respond."

There is a feeling in some quarters that the competition that will ensue after the opening up of the insurance sector might lead to unethical practices. But one should not be too much worried about the negative consequences of competition to hinder it. In the third millennium, the accepted norm is going to be "competition is virtue". The experience of years gained around the middle of the twentieth century, when many problems arose because of a large number of insurance companies in the private

sector and unbecoming competition among them resulting into nationalisation of life insurance in 1956 and general insurance in 1972, may not be relevant today. Those were the times of nationalisation phobia. Nationalisation was thought to be the panacea for all ills those days. Alternative solutions were really not tried. Further, and it is more important, the customer of the third millennium will be more alert and informed as compared to his counterpart 50 years ago. The recent experience of the investment companies that tried to take investors for a ride is a relevant reminder to unscrupulous elements. The customer of the third millennium cannot be exploited the way his predecessor was 50 years back. And, above all, while insurance companies will vie with one another to attract the customer, the watchful eyes of the Insurance Regulatory and Development Authority will hopefully be overseeing what they are doing.

India 's insurance sector, until recently a public sector monopoly, is plagued by low market penetration, inefficient mobilization and allocation of resources, and inadequate supervision. The situation is no different in the pension sector. Insurance companies and pension organizations together mobilize only 4% of annual GDP ($15 billion), over 90% of which is used in either low yielding government securities or bonds of poorly performing public sector companies. The insurance and pension markets, respectively, cover around 18% of the insurable population and 11% of the working population. As a result of such low coverage, the infrastructure sector, which has the greatest need for long-term funds, continues to be starved of much needed investments. Access to timely and efficient financial services (credit, savings, as well as insurance and pensions) is critical for India 's 60

million poor households if they are to take advantage of the economic opportunity created by reforms. Creation of an enabling policy and regulatory environment that promotes the growth of sustainable micro finance institutions is key to achieving broad-based economic growth and development in India.

The insurance sector has been an important source of low cost funds of long-term maturities all over the world. In the Indian context, however, the insurance companies, particularly in life insurance, apart from covering risk are also committed to repayment of the principal with interest although with long maturities and thereby tend to act as investment funds. One of the reasons that this has happened is that the average premium charged by the insurance companies in India tends to be relatively high due to obsolete and rigid actuarial practices and inefficient operations. There is pressing need to reorient the insurance sector in a manner that if fulfills its principal mandate of providing risk cover. The opening up of the insurance sector to private participation, including banks in August 2000 has been able to instill an element of competition, which would in turn promote efficiency and professionalism and enhance consumer choice through product innovation.

The Insurance Regulatory and Development Authority (IRDA) is vested with the power to regulate and develop the insurance and re-insurance business. The IRDA has prescribed stringent licensing criteria and solvency margins, with guidelines for investment of the larger part of resources in Government securities and other approved investments (including infrastructure) and exposure norms for other investments. The liberalisation

of the insurance sector impacts the functioning of the financial system through the inter-linkages with the existing financial institutions and financial products. However, a critical issue to be addressed is increasing the insurance penetration to make it comparable to the other emerging market economies, including enhanced coverage of the rural sector.

The reforms in the insurance sector leading finally to the opening of the insurance sector for private participation has brought in its wake major changes not only in the design of the products available in the market but also the manner in which they are marketed. We have today a host of products coupled with a large number of intermediaries who market them. The emergence and spread of bancassurance has been one of the most significant developments in the retail financial services sector in India. Many banking institutions and insurance companies have found bancassurance to be an attractive - and often profitable - complement to their core businesses. While less than two per cent of total premiums are generated through this channel, there are expectations that bancassurance will grow to register a dominant share in the widening insurance market during this decade. World over, while both life and non-life companies seek to engage bank branches, non-life products have featured less prominently in bancassurance distribution.

The major reason is the complementary nature of life insurance and banking products. Both are in the nature of savings accumulation, one short-term and the other long-term. The enormous trust that the banks command in the minds of public is an important reason why insurance companies seek to enter into wide ranging banking partnerships. The banks,

in turn, find that the customers appreciate the provision of integrated financial services at the bank's branches, which in turn builds better customer loyalty and retention levels. The insurance companies and the banks together find that their collaboration at providing a package of financial services not only benefits customers but also maximizes their profits. Until the entry of private insurers, state-owned insurance entities relied solely on the tied agency force and their own employees. But agents and employees have their limitations. After a while, the less aggressive ones see their sources and contacts dry up, and growth in the sale of new policies decreases. Distances handicap even those with a sales drive. Here banks excel. They have a captive and growing customer base they can exploit to cross-sell products. The concept of universal banking-- one stop financial services supermarket -- which originated in Europe is slowly beginning to evolve in the Indian scenario by offering the prospect of low-cost one-stop shopping for all of a business's financial services. To sellers there's the prospect of scale economies and cross marketing.

Bancassurance will help cut overlapping costs and try to gain economies of scale and scope and, thereby, driving down unit costs in the fashion of the vertically integrated 20th century corporation. With a low-cost structure, the banks can leverage on a cost-effective bundle of business financial services, including cash management, lending, capital markets, risk management, retirement savings, and all types of commercial and personal lines of insurance. Bancassurance has the potential to be an effective distribution channel in India, especially because of extensive network, built over the years. Insurance companies have to take advantage

of the customers' long-term trust and relationships with banks. The association is a mutually profitable one, where the bank can widen its range of products on offer to customers and earn more, while the insurance company gains by getting constant visibility at the bank branches, and also the security of receiving premium payments on time.

Chapter-III

RECENT TRENDS IN INSURANCE INDUSTRY

The new face of the Indian insurance industry is carving for attention. Hoardings and billboards of the new joint venture private companies gaze from everywhere. Advertisements in newspapers and on television, insurance agents and direct mailers form part of the campaign vehicle. The dozen-odd life and non-life companies in the private sector are fighting a quiet but intense battle to make their presence felt to the Indian consumer. Not to be undone, the public sector companies are trying to match the moves of the private companies. They are shedding their old ways and donning a more sprightly and market-friendly exterior to make sure that they do not lose the advantage of a headstart. Competition has well and truly set in the Indian insurance sector barely a year after the Insurance Regulatory and Development Authority (IRDA) opened the doors for the re-entry of private insurance companies by doling out the first set of licenses on October 23, 2000. The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

Much has changed since the Central government constituted the R.N. Malhotra Committee in April 1993 to suggest reforms in the then highly controlled insurance sector. Eight years down the line, the Controller of Insurance has made way for a new regulator, the IRDA. The new regulator has framed rules that govern virtually every aspect of the game. The public sector has been asked to fall in line and pave the way for a level playing field. No wonder, change has swept through the government-owned sector.

The holding company structure of non-life insurance companies has been dismantled to usher in competition among the four siblings of the General Insurance Corporation of India (GIC). The once-powerful GIC, which directed the moves and fortunes of its subsidiaries, has now been given the limited mandate of being the sole national re-insurer. This means that it transacts only re-insurance business. On the life insurance side, the giant Life Insurance Corporation of India (LIC) has been drawing up plans to step in in a big way into global markets. It is making a massive effort to upgrade technology and manpower training in order to match the infrastructure and skills of the new players. On another front, the character and composition of the Tariff Advisory Committee (TAC) has undergone a change. It now has broad-based membership, while a chain of offices of Insurance Ombudsmen has been set up to ensure that the rights and interests of policy-holders are protected. Although the new breed of companies present a satisfied exterior, the stress is beginning to show. Across the board, demand is growing for additional lifelines from the government in terms of access to more channels of distribution. "The issue that needs to be addressed urgently is one of providing the necessary distribution channels. Distribution is the key to the insurance business," R. Krishnamurthy, managing director and chief executive officer, SBI Life Insurance Co Ltd (SBILI), said. With the opening up of the insurance industry, a larger chunk of the population should have access to insurance, he said. "What we need is to put quickly in place rules for corporate agencies and bancassurance (distribution of insurance products by banks) to enable the companies to distribute their products widely," Krishnamurthy said. Shivaji Dam, Managing Director, Om Kotak

Mahindra Life Insurance Co Ltd (OMKM), and Anthony Jacob, deputy managing director, Royal Sundaram Alliance Insurance Co Ltd (RSAI), agree. "The most immediate requirement for the companies is to expand the distribution network. The rules regarding brokers and corporate agencies are not very clear," Shivaji Dam said. "The corporate agency and brokers' regulation has been pending for some time. The amendment needed to permit only the designated director of a corporate agent to take the mandated insurance training should also be hastened," Jacob said.

CURRENT SCENARIO:

The companies feel that increased competition would result in an expansion of the market. "With increased awareness and the benefit of choice, the size of the market will increase. Since less than 26 per cent of the insurable population of India is covered by any form of insurance cover, the market potential is large and growing," Yvo Metzelaar, deputy managing director and president, ING Vysya Life Insurance Co Pvt Ltd, said. Agreeing with him, Naren N. Joshi, chief representative, ING Insurance International, India, one of the promoter companies of ING Vysya Life Insurance, said that private companies would have to work harder to get acceptance from the market. "They (the public sector) have only to explain their product. We have to, at the same time, make the consumer aware of our company. Finding good agents to do this would be the differential," he said. The focus of the reform measures is the benefit that insurance cover would give customers. The insurance companies assure the general public that liberalisation will not only fill their kitty but lead to commensurate gain for

the latter. "The last one year has witnessed several new innovative covers being devised by the companies - such as group covers and unit-linked covers," said Krishnamurthy of SBILI. Customers stand to gain from the improved service standards laid down by the companies, besides the choice of products offered. "The most important and decisive factor that will influence the customer in the selection of a company will be the quality of service," Metzelaar said. Anuroop Singh said that the benefits had already started to accrue. "The customer today has a wider choice of products and service providers and also excellent service levels delivered through trained professionals," he said. According to Krishnamurthy, the one big change that is anxiously awaited by the insurance industry, particularly life insurance companies, is the reforms in the pension sector. "We need more clarity on the pension side. Worldwide, the insurance business works side by side with pensions. The best players are the life companies," he said.

The process has already been set in motion, with the Union government studying the pension reforms report submitted by the IRDA. The report calls for a single, all-encompassing pension system, under a designated regulator, possibly the IRDA itself. It suggests that the new system, with new players such as mutual funds, banks and even post offices, should bring under its roof all existing pension and provident fund schemes. The report has set October 2002 as the deadline for ushering in the new regime. Another critical area that is of concern to the insurance companies, especially the life insurance companies, is the slow progress of the promised modification in tax laws. "The report of the Eradi Committee on taxation policies in the life insurance sector seems to have been buried.

No one seems to be talking about it. Companies are looking for something on this," K.S. Sreedhar, executive officer of the CII, dealing with insurance matters, said. Companies are anxiously awaiting some move from the government in this direction. "Issues such as taxation of valuation surplus are very important for the future development of companies," Krishnamurthy said. While the focus has shifted mainly to rectifying operational glitches, whispers are heard from within the industry seeking to revive the once-forbidden issue of raising the foreign equity cap on insurance companies.

REFORM PROCESS:

Perhaps emboldened by the wide political consensus and public acceptance of the reforms in the sector, what was a virtual taboo until the other day has found its way in print in the insurance literature of the two apex industry groups - the Federation of Indian Chambers of Commerce and Industry (FICCI) and the CII. "The industry is doubtful regarding the functioning and eventually the sustainability of the existing joint ventures between foreign and domestic companies with minority foreign equity participation", a recent FICCI survey report pointed out. It said that an overwhelming majority of the insurance industry (70 per cent) wanted the foreign equity cap to be raised to at least 49 per cent. The CII has endorsed the demands. "The Indian partners' ability to bring in capital could affect its stability... an increase in the foreign equity cap to 49 per cent, if partners agree, could be considered," it said in a recent communication. "We would also like to see a hike in the foreign equity cap - 49 per cent or more," ING's Naren Joshi said.

What could be an indication of the durability of the reform process is that the government does not rule out completely that possibility in the future. The insurance industry has been merely asked to perform before a case on its behalf can be built in Parliament for such a move. Clearly, there are no options for the companies but to show results. This can be done not just by showing bloating bottomlines but by helping in expanding the insurance cake and making products available to the populace at large.

Clearly, the speed at which files move in government offices and public sector enterprises Varishta was to be marketed through the Life Insurance Corporation of India -- has not improved. This didn't matter when LIC was the sole player. But now SBI Life has acquired a first-mover advantage that could well give it supremacy in this new segment of the market. Does this suggest that the private sector is headed for dominance in the insurance business? The pace at which they've grown certainly suggests so. When the sector was opened up, LIC was expected to lose just about 10 per cent market share over a period of five years.

As it turns out, based on numbers released by the insurance regulator, within two years private insurance players have managed to capture over eight per cent of the new life business and 9.4 per cent of the non-life market. Any optimism, however, would be premature. This performance can only be considered the first lap in a marathon race. The question is whether by 2006-07, private insurers will emulate their counterparts in mutual funds and banking. In the first, the private sector commands over 60 per cent of the funds under management.

BANKING:

In banking, the achievements are more modest. The nine new-generation private sector banks have been able to garner about 20 per cent of the assets (loans) and a little under 20 per cent of the deposits in their nine years of existence. Analysts point out that the private banks' performance is partially because there were few heavyweights involved. In the insurance sector, on the other hand, the who's who in the global insurance arena have set up shop -- AIG, Allianz, AMP, Aviva, Cardif, Chubb, ING, Lombard, Metlife, New York Life, Old Mutual, Prudential, Royal Sun Alliance, Standard Life, Sun Life and Tokio Marine. No other country has the world's top companies battling in the same market within a short period of time. And the 26 per cent cap on foreign investment has not been a deterrent. "Foreign players are here for the long haul, and have demonstrated their long-term commitment by enhancing the investment in their joint ventures," says SBI Life chief executive R Krishnamurthy. In less than two years, they have invested more than Rs 400 crore (Rs 4 billion) in India. This comes at a time when the global insurance industry is reeling under financial pressures.

PRIVATE SECTOR:

Private sector players have seen 200 per cent growth in the second year of liberalisation. This has doubled their overall share from three or four per cent in year one to just under 10 per cent in a growing market. This is largely attributed to the expertise brought in from abroad, in terms of information technology and better products. Yet product innovation does not

hold the key as products can be easily replicated within weeks. "The ones who succeed are the ones who pace themselves right. The spring and desire to be customer-centric and innovative should not wane," says ICICI Lombard General Insurance Company managing director and chief executive Sandeep Bakshi. Competition between state insurance players and the new kids on the insurance block has seen the start of consumer-friendly moves. On the life side, consumer benefits are being redefined and customised to suit individual needs. Private players have brought about change in terms of offering flexibility in packaging of products - adding riders on to basic products so that the consumer is not forced to buy something he does not need. "This takes us away from the era when players have to come out with some 50 or 60 products. That only ends up causing confusion in the minds of consumers and sales agents alike", says HDFC Standard Life general manager distribution Paresh Parasnis.

NON-LIFE INSURANCE SECTOR:

In non-life insurance, corporations are often calling the shots. This is more apparent in the non-tariff (or non-price controlled) business lines where the name of the game is to capture numbers, even if business is non-remunerative or economically unviable. "There is huge discounting taking place and non-tariff premiums have reached a stage where they have become non-remunerative", points out Bakshi. In the marine insurance business, for instance, premiums have been static since 1994 even as the total value of policies has increased with the entry of private players. India Inc is taking advantage of this competitive drive. Despite stern warnings

issued by the IRDA to all general insurance companies against premature renewal of policies, many corporate houses went ahead and brought forward their risk covers. This was done to by-pass the hike in the service tax from five to eight per cent. Corporations could not have done this without the help of their insurers -- both private and public. With little retail sales, corporate business contributes a large share of the premium for all general insurance companies. With price-cut strategies like these, it is going to be long haul as players with the deepest pockets will hold out the longest. But there is another dimension to this. Having set standards in service quality and product innovation, the private players are hoping to quickly get out of the price competition. "This has been the standard practice in the banking sector, where newly established banks are known to offer hefty discounts for services in order to build market share. Simultaneously, they build other platforms, which they can then leverage when it becomes obvious that the basic price strategy cannot be milked any further," points out an ex-banker turned insurer. So do the respective players in the public and private domains feel they are operating in a level-playing environment? Bajaj Allianz General Insurance Company chief executive Sam Ghosh thinks so, saying: "Every company is free to practice what they think is right. The IRDA is doing its best to ensure a level-playing field." LIC chairman S B Mathur thinks otherwise. He feels that with the state players having to report to a host of authorities -- the comptroller and auditor general, the Parliament, the finance ministry -- and not just the IRDA, there is no level-playing field. Moreover, private insurers do not need to meet scheduled caste and scheduled tribe targets or set up a separate Hindi cell to promote the

national language. Their operations are not an open secret. "Whatever we do becomes public knowledge," he says. State insurers are also struggling when it comes to closing deals. "In the major cities, we now need to struggle to complete a sale because policy-holders are comparing products and asking for a better deal," says Mathur. So where does the private sector see itself in the next 10 years? Aviva's chief executive Stuart Purdy sees new players cornering over half the market. Analysts are not as optimistic. They picture the insurance sector moving more or less on the lines of the banking industry, where state player LIC will lose less than 50 per cent share over a span of 15 years or more. Krishnamurthy points out that unlike public sector banks that took time to raise operating efficiencies on account of size and investment in information technology, "LIC has geared up its technology networking and focused on customer orientation in a short period." Bakshi sees the distinction between private and public sector players blurring as each of the 12 companies in the non-life industry establish their own brand identity. Overall, there is little room for complacence. Some time ago, IRDA chairman N Rangachary compared the new kids on the block to "children learning to walk and competing with adults who are already well adapted to the market place". In a market that is deep and growing, this could be both a challenge and an opportunity.

The insurance sector was opened up for private participation four years ago and FICCI has doing yeoman service to the development of this sector by facilitating exchange of views between the industry, policymakers, and the regulator through the annual conference. This has provided a forum to take stock of the developments and discuss the future course of action.

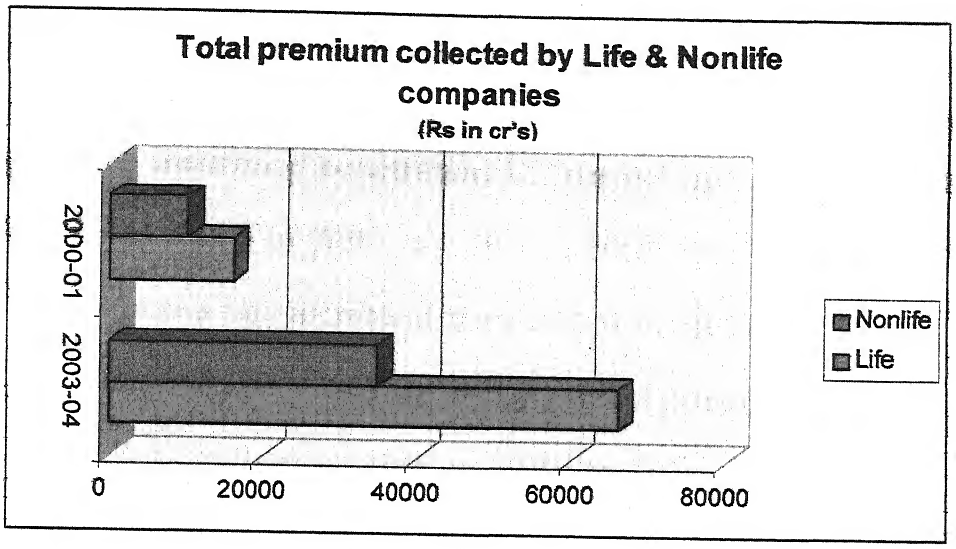
These annual conferences before and after the reforms in the sector have provided useful inputs to the policy makers and the regulatory body and the FICCI deserves appreciation for the professional manner in which these conferences are organized and should be legitimately proud of the contribution made by it in the growth and development of insurance sector. The reasons that prompted the government to bring in reform in the insurance sector are well known. While the Public Sector insurance companies made enormous contribution in the spread of awareness about insurance, and expanded the market, it was recognized that their reach was still limited, the range of products offered restricted and the service to the consumer inadequate. It was also felt that the rapid economic growth witnessed in the 90s cannot be sustained without a thriving insurance sector. It was also recognized that India has a vast potential that is waiting to be tapped and this could be achieved when sufficient competition is generated and it is exposed to the developments in the rest of the world. The insurance sector was, therefore, opened up for private sector participation with provision for limited foreign equity exposure. We have now four years experience of the public and private sector together operation in the market.

ACHIEVEMENTS:

The gains are obvious for anyone who has been closely monitoring the Indian insurance scene. The total premium collected by the insurers both life and non-life in the year 2003-2004 is Rs.82,415 crores (Rs.66, 288 crores in life and Rs. 16,127 crores in non-life) compared to Rs. 44, 985 crores (Rs.34,898 crores in life and Rs. 10,087 crores in non-life) during the

year 2000-2001. This represents an 83% increase in the last three years over the base year 2000-01.

Diagram: 5



This is what we have witnessed after the opening up of the sector. If we take the three year block prior to the opening of the sector, it is found that the total premium collected in 1997-98 was Rs.27,089 crores (life: Rs.19354 crores; non-life Rs.7735 crores) which has grown to Rs.44,985 by 2000-2001 representing an increase of 66%. Insurance sector has obviously started growing at a rapid pace after the sector was opened up. The private sector accounts for nearly 13% of the first year premium market. The market share of the private players has to be seen in the context of this enlarged market. There is also evidence to show that the rate of growth of public sector undertakings had not shown any decline after the entry of the private sector companies. All of them are obviously having a share of a larger market. The Credit for enlarging the market should however, go to the private sector as they came up with an aggressive marketing strategy to establish their presence. The Public Sector has, in its turn, redrawn its

priorities, revamped their marketing strategy, and together the public and private sectors have enlarged the market. The evidence of the enlargement of the market can be seen in various other parameters as well.

Indian insurance business, which remained under developed with low levels of insurance penetration and insurance density has shown signs of improvement. The insurance penetration i.e. premia as percentage of GDP has increased from 2.32% in 2000 to 2.88% in 2003. The insurance density i.e. premium per capita has increased from USD 9.90 in 2000 to USD 16.40 in 2003. The overall world rankings in terms of total premium volumes have improved from 23rd in 2000 to 19th in 2003 and our share in the world market has increased from 0.41% to 0.59% during the same period. The world ranking in terms of life insurance premium volumes has improved from 20th in 2000 to 18th in 2003 and the share in world market has increased from 0.50% to 0.81%. Similarly in non life insurance rankings in term of premium volumes has improved from 29th in 2000 to 28th in 2003 and the share of world market has increased from 0.25% to 0.29%. While the improvements are not dramatic, it is reassured that everything is moving in the right direction. As indicated earlier the insurance market has grown due to public sector continuing its presence by holding on to its market prompting the private companies to market new products. This they have been able to do as they have geared themselves to face the competition. The LIC, for instance, has concentrated on retaining its market in traditional products like endowment and money back and has not slackened its hold in the rural areas. It has simultaneously started experimenting with new products like Unit Linked where there is private

sector domination. No doubt that with its considerable presence in the whole country the LIC would continue to play a major role in the life insurance market. This would, in turn, prompt the private companies to innovate, find niche markets and expand into the rural areas. As a result the insurance penetration would increase and the customer would stand to gain. Society is witness to the beneficial effects of this type of competition between the public and private sector. The pension market has been developing in a big way, which would benefit the large section of the people in the organized and unorganized sector. There is a thriving Unit Linked insurance market that has been generated exclusively by the private sector. The annuity market has started growing. There is a plethora of new and innovative products offered by the new players. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. They can buy products and services that they need while hitherto they were purchasing products as they alone are available in the market. This choice has empowered the customers and this is a positive signal.

AGENCIES SYSTEM:

In the case of general insurance also, the public sector has responded to the challenge by entering into corporate agency relationships with providers of goods and services. The scope for innovation being limited in the tariff market, the private general insurance companies seem to be concentrating on provision of total risk management services to their corporate clients. This has enabled them to make in-roads into the profitable corporate accounts of state insurers. In addition the private sector has concentrated

on providing a host of services to their clients like point of sale issuance of policies, cashless settlement in the case of motor repairs, and SMS alerts on motor claim status. The accent is on providing high-class service to the customers and earning goodwill, which would in due course help access large corporate accounts. The general insurers have to come out with innovative products in the personal lines if they are to expand business. No doubt that this would happen and the IRDA would be happy to facilitate it by removing any regulatory or tariff related obstacles. In addition to the growth of insurance market the other area where there is significant beneficial change with the entry of the private insurance companies is in the area of insurance intermediation. Till two years ago, the only mode of distribution or life insurance products was through agents. Today there are alternate channels like bancassurance, brokers, corporate agents and direct marketing through Internet. Though it is too early to predict, bancassurance has the potential to emerge as a significant distribution mechanism. Banks have not only data from which they can identify potential clients, but have also extensive reach and provide a point of contact for the insured. The Bank branch unlike an agent cannot be elusive after the sale of the product and has to respond to the needs of the insured. If there is proper disclosure at the time of sale of policy and efficient post sale service, there will be significant increase in the use of this model by the insurers to enlarge their business.

The insurance broker offers the most efficient distribution system through which clients purchase commercial insurance. As the non-life insurance market open gradually, the value of the insurance broker's role

will be better understood. There will be increasing opportunities to serve the needs of midsize companies arid small enterprises by delivering the specific services these clients need and in the way they want them delivered. These are perhaps the reasons for various agencies evincing interest in broking companies. In spite of a predominantly tariff driven market and a discount for placing of business by the insured without any intermediary, the number of applications for licensing of broking companies has increased. This implies that there is enough business for a large number of brokers for the present and an early start would give them adequate time and opportunity to equip themselves with necessary skills to provide professional services when the market is finally detariffed. It is praiseworthy that FICCI has setup a task force on de tariffing, again it is a matter of pleasure to have its input in our efforts at detariffaction. Corporate Agency is another area, which has been expanding rapidly. This is a new institution and there is no experience of the functioning of this new class of intermediary, as such an institution is not prevalent in insurance markets in the world. While this model has the potential to reach a large section of the population in a short time, there are concerns about the mode of sale of the policies. Insurance products are becoming complicated and unless the agent is conversant with the benefits and conditions attached to the policy, there is a distinct possibility of the sale being affected without full disclosure. While this may not be intentional the repercussions could have far-reaching consequences. The insurers will have to be extremely careful in dealing with corporate agents and keep a vigilant eye on the way the sales are affected. The IRDA would be issuing some guidelines on the manner of

selection of corporate agents, the manner in which their activities should be monitored and the precautions to be taken to ensure that there is complete disclosure to the clients of the policy implications. In spite of the proliferation of the intermediary channels, the traditional agent continues to play a dominant role in the sale of insurance policies. The regulations provide for minimum qualifications, specified training programme followed by a pass in the test conducted by the Insurance Institute of India for becoming an agent. The insurers have been aggressively recruiting candidates as agents and after getting them trained sending them for the examination. In view of the large numbers the Institute is finding it difficult to exercise the required controls for conducting the examination. Some irregularities have been noticed in the conduct of both training and the examination. No doubt that the insurers are interested in recruiting for their agency force a person with good academic qualification and with impeccable credentials and conduct. While from the Regulatory side an action can be taken necessary to ensure the fair and proper conduct of training and examination, an appeal is made to the CEO's through this forum to send the message down to their HR managers that they should exercise due diligence in the recruitment of agents.

A significant feature in the post reforms era is the ability of the agency force to assess the requirements of risk cover for their prospect and suggest the policies that suit their individual requirements. It may be recalled that one of the criticisms against the public sector insurers is that they concentrated on sale of policies without looking into the needs of the customers. As a result many of the individuals remained underinsured. The

average size of the life insurance policy before the opening up of the sector was around Rs.50,000/-. This has now risen to about Rs.80,000/-. The policies sold by the private insurers are in the range of Rs.1.1 lakhs to Rs.1.2 lakhs, way above the industry average. While these are the gains we see as a result of the reform process, there are also areas where the expectations have not been met adequately. Though the number of medical insurance policies sold increased from 7.53 million in 2001-2002 to 10.28 million in 2003-2004, there are still concerns about adequacy of coverage, the type of covers provided and the manner in which the claims are processed. As one of the main constraints for popularizing health insurance was inadequacy of data, the IRDA concentrated on identifying the existing obstacles in database creation and the manner in which they can be overcome. The Subgroup of the Working Group on Health Insurance has recommended a methodology for collecting data on an uniform basis and we shall be taking up with insures and TPAs implementation of these recommendations. We are also exploring the various options available to overcome the problem of repudiation of claims on grounds of "pre-existing conditions". Another aspect being considered is devising a mechanism to enable portability of insurance so that policyholders have the freedom to switch their policies from one insurer to another. It is expected to resolve these issues to the satisfaction of all concerned during the course of this year. The limited coverage in the rural areas and the vulnerable sections of the society continues to be a source of concern for the regulatory body. While the private insurers are adhering to the targets stipulated in the Regulations, there is need for a greater involvement of the management at

various levels so that the product that is finally delivered serves the needs of those targeted group. We have streamlined the definition of "rural areas" to bring it on par with the classification followed by the Census Department to avoid confusion on what constitutes a "rural area". In the case of coverage of the socially disadvantaged sections, the IRDA has come out with a draft micro insurance regulation to facilitate easy coverage and provide quality service to the insured. Taking a look back at these four years, one can reasonably be proud of the strides made by the industry. Witness can be made of a demographic change in the country and the younger generation which is exposed to the outside world demands products and services which are at par with what is available in the advanced countries. No doubt this is the biggest challenge that the Indian insurance companies would face this challenge and provide services on par with services provided in the advanced countries. The regulatory regime would be happy to facilitate this process whenever its intervention is required.

INSURANCE POTENTIAL:

With an annual growth rate of 15-20% and the largest number of life insurance policies in force, the potential of the Indian insurance industry is huge. Total value of the Indian insurance market (2004-05) is estimated at Rs. 450 billion (US$10 billion). According to government sources, the insurance and banking services' contribution to the country's gross domestic product (GDP) is 7% out of which the gross premium collection forms a significant part. The funds available with the state-owned Life Insurance Corporation (LIC) for investments are 8% of GDP. Till date, only

20% of the total insurable population of India is covered under various life insurance schemes, the penetration rates of health and other non-life insurances in India is also well below the international level. These facts indicate the immense growth potential of the insurance sector. The year 1999 saw a revolution in the Indian insurance sector, as major structural changes took place with the ending of government monopoly and the passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. Though, the existing rule says that a foreign partner can hold 26% equity in an insurance company, a proposal to increase this limit to 49% is pending with the government. Since opening up of the insurance sector in 1999, foreign investments of Rs. 8.7 billion have poured into the Indian market and 21 private companies have been granted licenses. Innovative products, smart marketing, and aggressive distribution have enabled fledgling private insurance companies to sign up Indian customers faster than anyone expected. Indians, who had always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offer. The life insurance industry in India grew by an impressive 36%, with premium income from new business at Rs. 253.43 billion during the fiscal year 2004-2005, braving stiff competition from private insurers. This report, "Indian Insurance Industry: New Avenues for Growth 2012", finds that the market share of the state behemoth, LIC, has clocked 21.87% growth in business at Rs.197.86 billion by selling 2.4 billion new policies in 2004-05. But this was still not enough to arrest the

fall in its market share, as private players grew by 129% to mop up Rs. 55.57 billion in 2004-05 from Rs. 24.29 billion in 2003-04. Though the total volume of LIC's business increased in the last fiscal year (2004-2005) compared to the previous one, its market share came down from 87.04 to 78.07%. The 14 private insurers increased their market share from about 13% to about 22% in a year's time. The figures for the first two months of the fiscal year 2005-06 also speak of the growing share of the private insurers. The share of LIC for this period has further come down to 75 percent, while the private players have grabbed over 24 percent. There are presently 12 general insurance companies with four public sector companies and eight private insurers. According to estimates, private insurance companies collectively have a 10% share of the non-life insurance market. Though the focus of this market research report is on the potential growth on the Indian Insurance Sector, it also talks about the market size, market segmentation, and key developments in the market after 1999. The report gives an instant overview of the Indian non-life insurance market, and covers fire, marine, and other non-life insurance. The data is supplied in both graphical and tabular format for ease of interpretation and analysis. This report also provides company profiles of the major private.

HEALTH INSURANCE SCENE IN INDIA

Health insurance can be defined in very narrow sense where individual or group purchases in advance health coverage by paying a fee called "premium". But it can be also defined broadly by including all financing arrangements where consumers can avoid or reduce their expenditures at

time of use of services. The health insurance existing in India covers a very wide spectrum of arrangements and hence the latter- broader interpretation of health Insurance is more appropriate. Health insurance is very well established in many countries. But in India it is a new concept except for the organized sector employees. In India only about 2 per cent of total health expenditure is funded by public/social health insurance while 18 per cent is funded by government budget. In many other low and middle income countries contribution of social health insurance is much higher.

The share of insurance market in above figure is insignificant. Out of one billion population of India 315 million people are estimated to be insurable and have capacity to spend Rs. 1000 as premium per annum. Many global insurance companies have plans to get into insurance business in India. Market research, detailed planning and effective insurance marketing is likely to assume significant importance. Given the health financing and demand scenario, health insurance has a wider scope in present day situations in India. However, it requires careful and significant effort to tap Indian health insurance market with proper understanding and training.

There are various types of health coverages in India. Based on ownership the existing health insurance schemes can be broadly divided into categories such as:

GOVERNMENT OR STATE-BASED SYSTEMS:

- Market-based systems (private and voluntary)
- Employer provided insurance schemes
- Member organization (NGO or cooperative)-based systems

Government or state-based systems include Central Government Health Scheme (CGHS) and Employees State Insurance Scheme (ESIS). It is estimated that employer managed systems cover about 20-30 million of population. The schemes run by member-based organizations cover about 5 per cent of population in various ways. Market-based systems (voluntary and private) have Mediclaim scheme, which covers about 2 million of population. There are many employers who reimburse costs of medical expenses of the employees with or without contribution from the employee. It is estimated that about 20 million employees may be covered by such reimbursement arrangements. There are several government and private employers such as Railway and Armed forces and public sector enterprises that run their own health services for employees and families. It is estimated that about 30 million employees may be covered under such employer managed health services (Ellis et al. 1996).

General Insurance Corporation (GIC) and its four subsidiary companies and Life Insurance Corporation (LIC) of India have various health insurance products. These are Ashadeep Plan II and Jeevan Asha Plan II by Life Insurance Corporation of India and various policies by General Insurance Corporation of India as under: Personal Accident Policy, Jan Arogya Policy, Raj Rajeshwari Policy, Mediclaim Policy, Overseas Mediclaim Policy, Cancer Insurance Policy, Bhavishya Arogya Policy and Dreaded Disease Policy (Srivastava 1999). The health care demand is rising in India now days. It is estimated that only 10 per cent of health insurance market has been tapped till today. Still there is a scope of rise up to 35 per cent in

near future. The most popular health Insurance cover is Mediclaim Policy. This policy is discussed below.

MEDICLAIM SCHEME:

The government insurance companies started first health insurance in 1986, under the name mediclaim; thereafter Mediclaim has been revised to make it attractive product. Mediclaim is a reimbursement base insurance for hospitalization. It does not cover outpatient treatments. First there is used to be category-wise ceilings on items such as medicine, room charges, operation charges etc. and later when the policies were revised these ceilings were removed and total reimbursements were allowed with in the limit of the policy amount. The total limit for policy coverage was also increased. Now a person between 3 months to 80 years of age can be granted mediclaim policy up to maximum coverage of Rs. 5 lakh against accidental and sickness hospitalisations during the policy period as per latest guidelines of General Insurance Corporation of India. This scheme is offered by all the four subsidiary companies of GIC. Mediclaim scheme is also available for groups with substantial discount in premium. The current statistics on health insurance indicate that out of 1 billion population only about 2 million of population is covered by Mediclaim scheme. The reason for lack of popularity of this scheme could be several. The health insurance products are generally complicated and it is suggested that GIC and its subsidiary companies who deal in non-life insurance market which is dominated by mandated insurance such as accident, fire and marine, do not have expertise in marketing health insurance and therefore this scheme is not

popular. Health insurance also represents very small percentage of overall business of GIC and its subsidiaries hence they have also not focused their attention in this area. The GIC companies have little interest and means to monitor the scheme. It should also be recognized that because of technicalities of health service business there are number of cumbersome rules which have hampered the acceptance of the scheme. It is also reported that in number of cases the applicants of older ages have been refused to become member of mediclaim scheme due to unnecessary conservatism of the companies.

Another area of less popularity of the Mediclaim is the lack of appropriate marketing efforts in selling these products. To popularize the schemes It IS Important that proper marketing is done. To make the scheme more acceptable government has exempted the premium paid by individuals from their taxable income. This provides 20-40% subsidy on the premium to taxpayers. Mediclaim has provided a model for health insurance for the middle class and the rich. It covers hospitalization costs, which could be catastrophic. But given the premium is on higher side it as remained limited to middle class, urban tax payers segment of the population. There are also problems and negative unintended consequences of this scheme. There are reported fraud and manipulation by clients and providers, which have implications for the growth and development of this sector. The monitoring systems are weak and there are chances that if the doctor and patient collude with each other, they can do more harms to the system. There is also element of adverse selection problem as the scheme is voluntary. As the scheme reimburses charges without limit it also will pushed up the prices of

services in the private sector. Our analysis of mediclaim data from one center indicates wide variation of charges for same operation in the same city. Anecdotal evidence from doctors also indicates that charges are increased if patients are insured. All these effects will tend to increase the prices of private health care thus hurting the uninsured.

EMPLOYEE STATE INSURANCE (ESI) SCHEME:

Under the ESI Act, 1948 ESI Scheme provides protection to employees against loss of wages due to inability to work due to sickness, maternity, disability and death due to employment injury. It also provides medical care to employees and their family members without fee for service. When implemented for the first time in India at two centres namely Delhi and Kanpur simultaneously in February 1952, it covered about 1.2 lakh employees. Presently the scheme is spread over 22 states and Union territories across India covering 91lakh employees and more than 350 lakh beneficiaries. The Act compulsorily covers: (a) all power using non-seasonal factories employing 10 or more persons; (b) all non-power using factories employing 20 or more employees and (c) service establishments like shops, hotels restaurants, cinema, road transport and news papers are covered. ESIC is a corporate semi-government body headed by Union Minister of Labour as Chairman and the Director General as chief executive. Its members are representatives of central and state governments, employers, employees, medical profession and parliament.

The financing of the scheme is done by Employees State Insurance Corporation (ESIC), which is made up of contributions from: (a) employees

who contribute at the rate 1.75 per cent of their wages (if daily wage is Rs.25 or less, his contribution is waived); (b) employers who contribute at the rate of 4. 75 per cent of total wage bills of their employees to contribution on behalf and for employees having daily wage of Rs. 25 or less; and (c) State Governments contributes 12.5 per cent of total shareable expenditure worked out by prescribed ceiling on expenditure which is Rs. 600 per insured person per annum and expenditure incurred outside/over and above the prescribed limit. The State Government runs the medical services of this scheme of social insurance meant for employees covered under the ESI Act 1948. This scheme - compulsory and contributory in nature - provide uniform package of medical and cash benefits to insured persons is implemented through special ESI hospitals and diagnostic centers, dispensaries and panel doctors.

The delivery of medical care is through service (direct) system and/or panel (indirect) system. It provides allopathic medical care, but medical care by other systems like ayurvedic and homeopathy in the states is also provided as per the state government decision. The medical care consists of preventive, promotive, curative and rehabilitative types of services are provided by the scheme through its own network or through arrangements with reputed government or private institutions by concept of proper referral system and regionalisation. Preventive services include immunization, maternal and child health, family welfare services. Promotive services include health education and health check-up camps. Curative services include: dispensary care, hospital care, maternity care, supportive services including diagnostic centre, drugs, dressings, surgical procedures, dental

care, prosthesis and other appliances. Rehabilitative services include: physical rehabilitation, economical rehabilitation, and provision of artificial aids (social, psychological rehabilitation).

Even though the scheme is formulated well there are many problem areas in managing this scheme. Some of the problems are:

- Large number of employers try to avoid being covered under the scheme,
- A large number of posts of medical staff remains vacant because of high turnover and lengthy recruitment procedures,
- There is duality of control,
- Rising costs and technological advancement in super specialty treatment,
- Management information system is not satisfactory.
- There is low utilization of the hospitals
- The workers are not satisfied with the services they get.
- In rural area the access to services is also a problem.

Some of the state governments have to subsidize the scheme heavily even though the ESI Corporation, which is the financial arm of the system, has much surplus funds. All these problems indicate an urgent need for reforms in the ESI scheme (Vora, 2000). Some of the options for reforms in ESI scheme could be: making the scheme autonomous- managed by workers and employers while government only retails controls through a guiding framework as is the case with German Sickness Funds. Secondly the scheme should be made open for non-organized sector through fixed income based contribution. This will extend the benefits of the scheme to many

more people. The government should set the patient care standards and monitor outcomes as well as patient satisfaction. The management of the health facilities also needs to be improved substantially. The financial management of the scheme also needs improvement.

HEALTH INSURANCE FOR POOR BY NGO'S:

With 70 per cent of population in India living in rural areas and 95 per cent of work-force working in unorganized sectors, and disproportionately large percentage of these populations living below poverty line, there is strong need to develop social security mechanisms for this segment of population. This need for security is further increased because the poor are the most vulnerable for ill health, accidents, death, desertion, social disruptions such as riots, loss of housing, job and other means of livelihood. There are some efforts in this direction of providing social security to the poor by a few NGOs. The most prominent among them is that of Self-Employed Women's Association (SEWA). The other scheme by government insurance companies developed to focus on poor is called Jan Arogya Bima Policy which was introduced in 1995 and covers expenditure up to Rs. 5000 for a premium of Rs. 70 per annum. It is estimated that about 5 million people are covered under various NGO insurance schemes. The experience from other countries suggest that in developed countries such as USA, UK, the health insurance have grown out of small non-profit schemes. A large share of health insurance market in USA is in not-for-profit sector. There is need in India to promote these schemes as they address the needs of the poor. Over the last few years in India small and big NGO's like Tribhuvandas, SEWA, ACCORD

etc. have implemented the insurance schemes. Many of these schemes are designed to meet the needs of the poorer segments of the community.

They have developed several innovations such as mechanism of monitoring the performance,

- Pricing of various services,
- Integration of various risks in one single product,
- Linking of insurance schemes with savings,
- Coverage of many services not included in market based schemes such as maternity services, transportation, coverage of risks such as from riots, floods etc.

Some NGOs have developed special linkages with public health systems, private facilities and also accessed resources through insurance companies.

SEWA'S HEALTH INSURANCE AND SOCIAL SECURITY SCHEMES FOR THE POOR:

Poor women are the most vulnerable sections of a developing society. SEWA - a membership based women workers trade union, has developed an initiative to protect the poor women from financial burdens arising out of high medical costs and other risks. Each member has option to join the programme by paying Rs. 60 per annum and it provides limited cover for risks arising out of sickness, maternity needs, accidents, floods and riots, widowhood etc. The scheme is also linked with saving scheme. Members have the option to either deposit Rs. 500 in SEWA Bank and interest on this deposit will cover the annual premium or pay annual premium of Rs. 60. The scheme has 30,000 members and is expected to grow to 50000. In the

beginning the SEWA started this programme with the support of one of the public sector insurance companies. The experience of SEWA has been that the insurance companies are not well equipped to handle the present day complexities of health insurance particularly in context of lower income group needs. Given the bureaucratic rigidities in settling the claims, procedures, which one has to follow, and poor monitoring mechanisms make it difficult for the poor to continue with these schemes. For example, the patients belonging to lower income groups opting for the schemes would need systems which are simple, flexible, prompt, relevant, having less paper work and have fewer tiers. The design of the product including what it covers, scope of coverage and at what premium are important considerations for people belonging to lower income groups.

SEWA experience suggests that the design of the insurance products have to be integrated with several add-ons that may be priced differently. For example, health risk coverage should include sickness as well as maternity aspects. SEWA experience illustrates that other aspects of risk which need coverage include natural and accidental death of women and her husband, disablement, loss because of riots/flood/fire/ theft etc. The overall premium has to be low. There has been lot of emphasis and education in the community on understanding the concept of insurance. This awareness is growing. The linkage with the providers has been critical aspect in keeping this cost of scheme down. At the same time the member has complete choice in selecting the provider but the reimbursement is limited. It has been observed that costs in private are more than 5 times than what they are in public sector hence developing linkages with the public facilities are

therefore critical. This also depends on quality of care at public facilities. The overall experience of SEWA's health insurance has been encouraging. Women have started to seek health care and have been asking to enlarge the scope of the scheme. The scheme has tried to address the special needs of women health by allowing the other systems of medicine, which is quite popular in various places and paying for maternity related expenses, which are not covered by Mediclaim scheme. The scaling up of the scheme and increasing the coverage is the most important management and organizational challenge. Recent study of the members of the SEWA scheme by Gumber and Kulkarni (2000) also indicate its usefulness.

OTHER NGO HEALTH INSURANCE SCHEMES:

Over the last several year there has been efforts to develop health insurance by various small NGOs. Some of the prominent among them have been ACCORD in Karnataka, Tribhuvandas foundation, Aga Khan Health Services, India (AKHSI) and Nav-sarjan in Gujarat, and Sewagram medical college Maharashtra. ACCORD works with tribal population in forested areas of Karnataka, AKHSI works with Ismaili population in North Gujarat, Tribhuvandas Foundation works in villages of Kheda district where there are strong milk producing unions of Amul Dairy Cooperative, Nav-sarjan works with schedule castes in 2000 villages of Gujarat. Ranson (1999) has reviewed NGO efforts in India in this field. There are some common features of NGO schemes. The coverage of these schemes vary and most use their own health workers to provide primary care and have tied up with a hospital to provide secondary care. Premiums are low, generally fixed and not related

to risk. Most schemes have limited coverage and some also provide wider services besides health and treatment. All these organizations had good track record of services in the community and then added on health insurance on their existing activities hence they did not have to establish credibility with the community. The key feature among them was low premium and low coverage. These NGOs have shown that it is possible to develop a model of health insurance for the poor without much subsidy. The experience also suggests that if a credible NGO exists then it is not difficult to develop health insurance as an add on benefit. What is unclear and need to be researched is that what amount of total health expenditure does these scheme covers for the poor given that their coverage is limited.

CONSUMER AND SOCIAL PERSPECTIVE ON HEALTH INSURANCE:

With the liberalization of insurance and entry of private companies in this business it is very important that specific interventions are developed which focus on increasing the consumer awareness about insurance products. One of the major challenges after privatization of insurance would be how to develop such mechanisms, which help making consumers aware about the various intricacies of insurance plans. As of now information, knowledge and awareness of existing insurance plans is very limited. This is also shown by the study of Gumber and Kulkarni (2000) among the members of SEWA, ESIS and mediclaim schemes. With Consumer Protection Act coming in force it has become easy for aggrieved consumers to complain and seek redressal for their problems. Consumer organizations such as CERC of

Ahmedabad have been helping consumers to get due justice in disputes with the insurance companies. Their experience would be varying valuable in guiding development of health insurance plans that are transparent and just. Many a times the insurance claims are rejected due to some small technical reasons. This leads to disputes. Most of the time the conditions and various points included in insurance policy contracts is not negotiable and these are binding on consumers. There is no analysis on what is fair practice and what is unfair practice. Given that insurance companies are large and almost monopoly setting the consumers is treated as secondary and they do not have opportunity to negotiate the terms and conditions of a contract. Many times insurance companies do not strictly follow the conditions in all cases and this create confusion and disputes (Shah M 1999).

The most important area of dispute and unfair treatment is the knowledge and implications of pre-exiting conditions. A number of cases of litigation are disagreement on these pre-existing conditions. These problems also arise because of lack of specification of number of areas and properly spelling out the conditions. This is also because some chronic conditions such as high blood pressure and diabetes can increase the risk of may other disease of organs such as heart, kidney, vascular and eyes diseases. The patients with these pre-existing conditions are denied claims for treatment of complications. This is not fair and leads to disputes. Health insurance is typically annual and has to be renewed yearly. Policy, which is not renewed in time lapses and a new policy, has to be taken out. Medical conditions detected during the interim period are treated as pre-existing condition for

the new policy, which is not fair. This is seen as major issue as it changes the conditionalities about what constitutes pre- exiting conditions. Courts, however, have ruled that even if there is delay in renewing the policies it should be considered as renewed policy. In case two doctors give different reports one favouring consumer and other insurance company, the insurance company generally follows the later opinion. There are several such consumer-related issues, which need to be addressed in health insurance. One of the planks on which the insurance has been deregulated is the gain in efficiency and passing on these benefits to the consumers. It is very unrealistic to assume that insurance companies will be able to gain efficiency, which helps them to reduce the price of schemes. At least one should not be expecting this thing happening in the short-run. But providing full information to the consumer and dealing with claims in a just and expeditious manner is the minimum expected outcome of the deregulation process. Consumer organizations have to play very active role in future development of the health insurance sector in India. There are several social issues such as exclusions of sexually transmitted diseases, AIDS, delivery and maternal conditions etc. These are not socially and ethically acceptable. "Insurance companies much take care of all the risks related to health. The companies may charge additional premium for certain conditions. Secondly the present mediclaim policy premiums are high and do not differentiate between people living in urban and rural areas where the costs of medical care are different. Thus the present policy is less attractive to poor and rural people. The tax subsidy provided to the mediclaim is also

going largely to the rich who are the taxpayers. The newer health insurance policies have to improve upon the shortcoming of the existing policies.

IMPACT OF HEALTH INSURANCE ON STRUCTURE AND QUALITY OF PRIVATE PROVISION:

The experiences in liberalizing the private health insurance suggest that it has undesirable effects on the costs of health care. The costs of care generally go up. Given the present system of fee for service and current scenario of health infrastructure in private sector, the development of insurance will need improvements in quality and change in structure. The new investments to improve quality will result into high cost and therefore increase in prices of insurance products. There would be developments in the direction of exploring options of managed care, which would help in reducing the costs. The developments would be needed in the direction of strong information base and accreditation system for providers. The structure of the health sector will have to change from multiple-single doctor hospitals and clinics to larger hospitals and polyclinics, which provide services of multiple specialities and can operate at larger scale. This will allow them to provide high quality professional care at competitive prices. As one of the responses to these issues Third Party Administrators (TPA) are rapidly emerging in India. Here we can learn from the models, which have emerged elsewhere. But their applicability to Indian situation needs to be examined carefully. These aspects of the health sector will need detailed study.

We lack adequate information base to operate insurance schemes at large scale. The insurance mechanism prevalent in many developed countries has their history. Health reforms experiences in many countries are replete with the suggestion that the systems cannot be replicated easily. Self-regulation is an important in any market driven system. The regulation from outside does not work. Implementation of regulation in this sector is difficult. We significantly lack mechanisms and institutions, which would ensure self- regulation and continuing education of provides and various stakeholders. The accreditation systems are hard to implement without mechanisms to self-regulate. For example it took 35 years in US to put the accreditation system effectively in place. For example, it has been difficult for many States in India to put nursing homes legislation in place. Given the deterioration on standards in medical education, lack of regulation by medical council and rising expectations of the community it is difficulty to ensure quality standards in Indian health care system. Given this situation health insurance systems will have to deal with this complex issue of quality of care in years to come.

ROLE OF REGULATORS:

The government has established Insurance Regulatory and Development Authority (IRDA), which is the statutory body for regulation of the whole insurance industry. They would be granting licenses to private companies and will regulate the insurance business. As the health insurance is in its very early phase, the role of IRDA will be very crucial. They have to ensure that the sector develops rapidly and the benefit of the insurance goes to the

consumers. But it has to guard against the ill effects of private insurance. The main danger in the health insurance business we see is that the private companies will cover the risk of middle class who can afford to pay high premiums. Unregulated reimbursement of medical costs by the insurance companies will push up the prices of private care. So large section of India's population who are not insured will be at a relative disadvantage as they will, in future, have to pay much more for the private care. Thus checking increase in the costs of medical care will be very important role of the IRDA.

Secondly, IRDA will need to evolve mechanisms by which it puts some kind of statue in place that private insurance companies do not skim the market by focusing on rich and upper- class clients and in the process neglect a major section of India's population. They must ensure that companies develop products for such poorer segments of the community and possibly build an element of cross-subsidy for them. Government companies can take the lead in this matter and catalyze new products for the poor and lower middle class as they have done in the past.

Thirdly the regulators should also encourage NGOs, Co-operatives and other collectives to inter into the health insurance business and develop products for the poor as well as for the middle class employed in the services sector such as education, transportation, retailing etc and the self employed. This could be run as no-profit-no loss basis similar to the scheme pioneered by Indian Medical Association for its members. Special licenses will have to be given to NGO for this purpose without insisting on the minimum capital norms, which are for commercial insurance companies.

INSURANCE COMPANIES: INDIAN VIS-A-VISINTERNATIONAL:

The potential for insurance outsourcing market is enormous, with over 1500 Property & Casualty (P&C) insurance companies and 1300 health insurance companies in the US alone. Globally, the banking, financial services and insurance (BFSI) vertical is the fastest growing segment in outsourcing. India's BFSI outsourcing revenues in 2003 stood at $1.1 billion, which constituted 2.5% of global BFSI outsourcing. The top 5 Indian vendors in BFSI get 49% of their revenues from BFSI. Value Notes estimates that the Indian insurance outsourcing revenues are likely to grow to $790 million by 2007, from an estimated $367 million in 2003, a CAGR of 21%. 9/11 resulted in shrinking margins, higher claims disbursement and increasing competition for the sector. Insurance companies are now forced to look at outsourcing/offshoring to improve efficiencies and channelize resources towards the core functions of product development and innovation. Several niche providers with relevant domain expertise are emerging, encouraging insurance companies to outsource more value-added services. The growth drivers are common to all verticals - cost saving, ability to focus on core processes of product development, innovation & marketing strategy and minimizing risks through multiple delivery centers. For the insurance outsourcing vertical, the critical drivers are:

- Insurance regulation and statutory documentation in the US
- Deregulation of insurance markets in countries like India, China and Japan

- HMOs move their processes offshore - Fueled by the success of Aetna in moving their claims adjudication process to India, many other organizations want to tread the same path.

According to senior research analyst at ValueNotes, Nilesh Paranjape, "India as an offshoring destination has much to offer the insurance industry." It is already an established outsourcing destination for a variety of services and verticals. And several of the large outsourcing vendors already have significant experience in the BFSI vertical. Further, large Indian service providers have, through organic growth or acquisitions, set up centers in US, Canada and other places that qualify as "near-shore" outsourcing destinations and are therefore more acceptable to first time outsourcers.

India has now become one of the most popular destinations for offshoring insurance processes. Some of the top insurance companies in US & Europe like Cox Insurance Holdings, Aviva Life Insurance, AXA Sun Life have moved one or more processes to India-based captive or third party outsourcing firms. Some of the top players in the insurance vertical include WNS, HTMT, EXL, ICICI OneSource and GTL. Currently around 63% of India's insurance outsourcing revenue comes from the US and around 22% from EMEA. The Global Insurance Outsourcing report is the first in a series of reports from the ValueNotes Outsourcing Practice that will look at outsourcing in diverse verticals from an Indian perspective, and seeks to provide a flavor of important trends, issues and needs. It is a review of outsourcing in the global insurance sector, types of processes being outsourced and by whom, growth drivers and inhibitors, service delivery

models, captive vs. third party BPOs, offshoring destinations, the Indian market, major vendors, along with profiles.

Table no. 15

GLOBAL INSURANCE SCENARIO (FIGURES IN PERCENT)

Country	(Total in 2005: $2,128.7 billion)	(Total in 2006: $2,244.3 billion)
North America	34.5	37.32
Europe	31.4	31.93
Asia	29.1	26.46
Oceania	1.9	1.59
Latin America	1.8	1.67
Africa	1.3	1.03

Diagram: 6

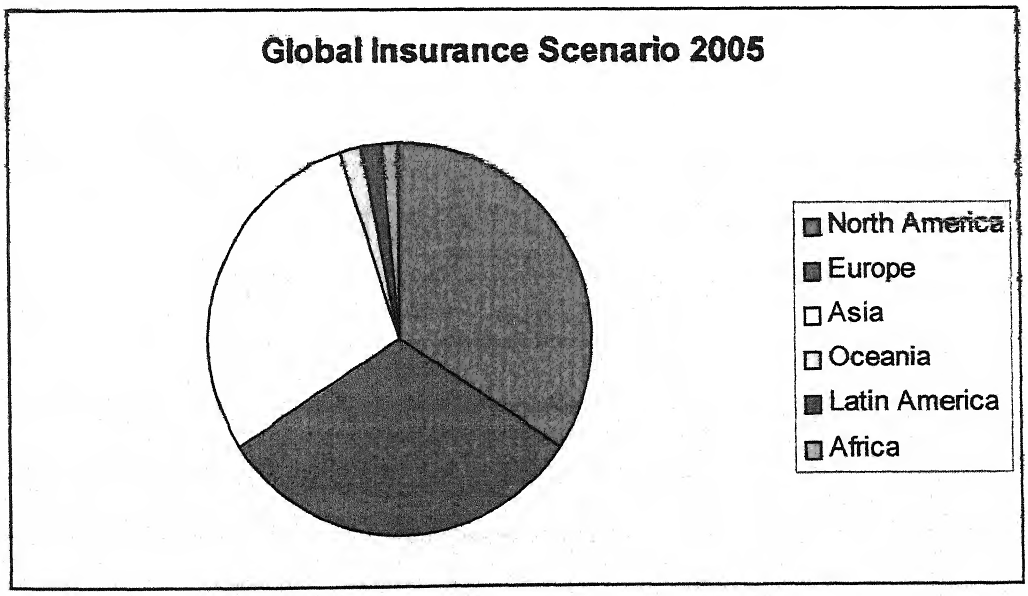


Diagram: 7

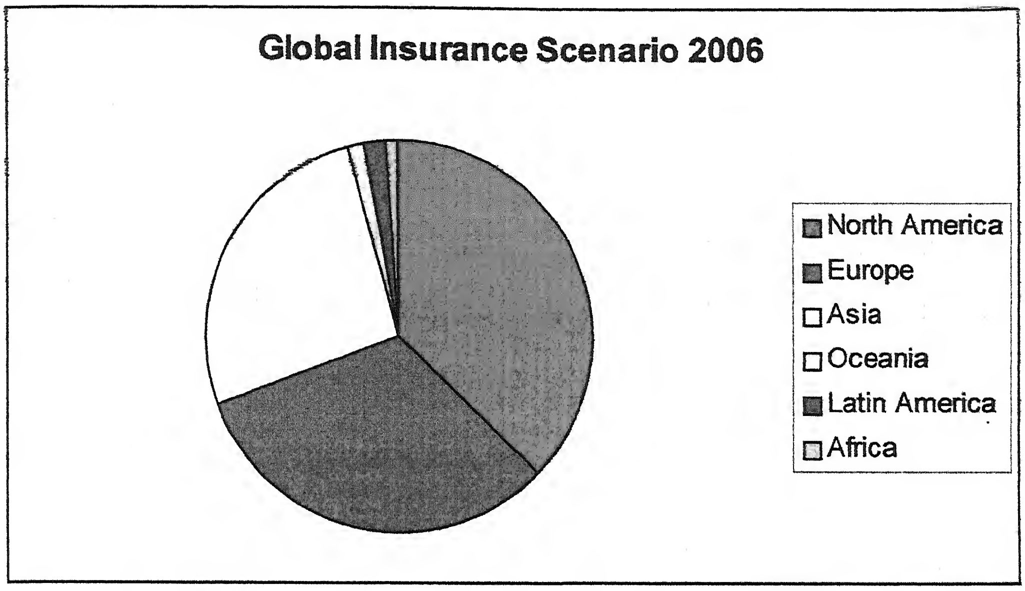


Table no. 16

TOTAL PREMIUMS: COUNTRYWISE, 2005

Country	Premiums (USD millions)	Share of world market (in %)	Premiums in % of GDP	Premiums per capita (in USD)
United States	865327	35.41	8.76	3152.1
Japan	504005	20.62	10.92	3973.3
United Kingdom	236960	9.7	15.78	3759.2
Germany	123722	5.06	6.54	1491.4
France	121910	4.99	9.4	2051.1
Italy	63062	2.58	5.8	1084.3
South Korea	58348	2.39	13.05	1234.1
Canada	46587	1.91	6.56	1516.8
Spain	37617	1.54	6.73	954.2
Netherlands	36450	1.49	9.87	2290.2
India	9933	0.41	2.32	9.9

The results of the top global insurance companies reported in February and March show that profitability increased across the board on the back of rising equity markets, hardening of the rates for non-life business, growing demand for life products and the welcome absence of the catastrophes we saw in 2005. But there are challenges ahead. It is not clear where growth in non-life can come from, other than further consolidation. Capital management is increasingly important, driven by changes in reporting and regulatory standards, and insurers face pressure to improve efficiency. The past decade has seen a strong trend towards consolidation in the insurance industry. Merger and Acquisition (M&A) activity has been high, due to rising stock markets, declining interest rates, industry deregulation and increased globalization. Driven in part by market liberalization, in part by the rapidly-growing Indian economy as a whole, the Indian insurance sector is evolving rapidly. The potential has not gone unexploited by foreign investors. But success depends on developing a winning business proposition, finding the right partner and on effectively navigating the regulatory and approvals framework. Alongside the growth of Islamic banking, Takaful, or Shariat compliant insurance, has experienced rapid growth over the last 10 years. Bermuda's growth as an insurance market and the influx of new capital following WTC and Katrina mean that it has increasingly been seen as a holding location for international insurance operations. Established groups such as Ace and XL Capital have been followed by a number of more recently formed groups who have put their head office and primary capital base in Bermuda and insurance or reinsurance operations in the major markets around the world. This trend, together with recent developments in

the EU, has prompted other insurance groups based in the major onshore centers to ask the question whether they should be looking afresh at the way they organize their international structures.

Creating an explicit target operating model for the finance function is a valuable foundation for articulating and implementing a successful change program – and for improving the quality and strategic value of the whole finance operation. The U.S. insurance industry faces a number of current accounting challenges that threaten to stretch both systems and resources. Over the next few years, the financial reporting regime for insurers will change significantly. Major initiatives including IFRS Phase II, Solvency II and further development of European Embedded Value will mandate changes in the way insurance companies report their results and, in many cases, impact further on underlying systems and management information. But as yet, there remains significant uncertainty over how these changes will play out. How should insurers respond? Greater attention than ever is being paid by regulators and other stakeholders to uncertainties in technical reserves. Insurance companies are developing highly sophisticated models to try to improve the quality of reserve estimates. But, the real issue concerns the clarity about how reserve estimates are arrived at and communication about the levels of risk inherent in any particular estimate.

The time may well be right for the insurance industry to engage in a debate about the merits of a single global standard for insurance regulation of risk and capital adequacy. With many insurance companies relying on models in a wide variety of business areas, the overall quality of these tools and the accuracy of their underlying assumptions are critically important.

Board members and senior executives need to understand the risks their organizations face when they use such models and take steps to manage them appropriately.

Insurance should be very simple – you pay a premium to cover a risk, or you put some money aside for the future. From the point of view of the consumer, nothing could be easier. This apparent simplicity, however, masks a highly complex industry, driven by a wide range of different issues. The industry is competitive, cyclical and (by definition) exposed to every possible risk. These risks can often be long-term and hard to define, leading to challenges around pricing and reserving. The industry needs capital to ensure it can meet its obligations but exactly how much capital is dependent on changing regulatory and reporting requirements. In a competitive environment the industry must continue to reduce cost and improve operational efficiency, but at the same time the market is expecting growth. The industry is always looking for new opportunities in different products and geographies.

The insurance industry has witnessed increased convergence and consolidation. Differentiation is difficult as products and services are becoming commoditized. Some of the other drivers of change in the industry are highlighted below:

CHANGE IN DELIVERY CHANNELS:

With technology emerging as the key enabler and customer expectations increasing, the insurance sector has to rethink the way services are configured and delivered. The nature of the industry demands that records

and transactions span a long period. This underscores the need for process efficiencies. Organizations are thus compelled to focus on core market and customer facing activities and outsource back office processes to improve profitability.

Insurers also need to address diverse regulatory requirements such as HIPAA and corporate governance demands driven by mandates such as the Sarbanes-Oxley Act.

GLIMPSES OF OVERSEAS INSURANCE INDUSTRY:

(A) US INSURANCE INDUSTRY:

The total premiums of the United States have reached at US $ 1,055,498 millions among which the premiums from life insurance were at US $ 480,919 millions and from non-life insurance were at US $ 574,579 millions, according to the U.S. Central Intelligence Agency, (economic/demographic data) 2003.

The total assets of life insurance companies have grown at an average annual rate of 12 percent from 2002 to 2004, rebounding from slower growth of 3 percent from 2000 to 2002. Companies like MetLife, Prudential Financial, New York Life Insurance and others deal with the life and Health Insurances of the country. Among other types of the insurances of the country Travel Insurance, Auto Insurances have a high demand. The Auto Insurance follows Liability coverage, Bodily Injury Coverage, Property damage coverage, Medical payment coverage, Personal Injury Protection (PIP), Uninsured Motorist coverage and collision coverage.

Travel Insurance in USA: Be it's a personal travel to business travel; travel insurance covers you from related travel investments, health, your belongings. There are many related aspects to it starting from vacation insurance, to travel health insurance, travel medical insurance and so on.

US Fire Insurance: This policy looks after ones property loss and other items damaged in fire. One gets coverage on lightning, explosion, terrorist damage, earthquake, storm, cyclone, riot strike and many others while planning for USA Insurance.

Life Insurance in US: It surely insures your life as it gives financial help to your loved ones even in your absence maybe for a specific term of life or it may be for your whole life. Pay off your mortgages, loans in case of emergencies.

US Health Insurance: Health Insurance plans in USA basically covers individuals and families, which includes coverage on prescription, drugs, dental, vision, pregnancy and childbirth benefits.

Participation among the peoples in the insurance process in USA is fast rising. The peoples in the recent years have become more conscious for having a life insurance. The multicultural populations in USA are well educated, have achieved a degree of affluence and are highly motivated to succeed in the insurance business. Total premiums from life were at $480,919 U.S $ Million and from non-life were at $574,579 U.S $ Million. Total assets of life insurance companies grew at an average annual rate of 12 percent from 2002 to 2004, rebounding from slower growth of 3 percent from 2000 to 2002. Cash value life insurance is considered worst financial products available. Sadly, over 70 percent of the life insurance policies sold

today are cash value policies. The United States insurance industry provides protection against financial losses resulting from a variety of perils. By purchasing insurance policies, individuals and businesses can receive reimbursement for losses due to car accidents, theft of property, and fire and storm damage; medical expenses; and loss of income due to disability or death.

The USA insurance industry consists mainly of insurance carriers (or insurers) and insurance agencies and brokerages. In general, insurance carriers are large companies that provide insurance and assume the risks covered by the policy. Insurance agencies and brokerages sell insurance policies for the carriers. While some of these establishments are directly affiliated with a particular insurer and sell only that carrier's policies, many are independent and are thus free to market the policies of a variety of insurance carriers. In addition to supporting these two primary components, the insurance industry includes establishments that provide other insurance-related services, such as claims adjustment or third-party administration of insurance and pension funds.

Insurance carriers assume the risk associated with annuities and insurance policies and assign premiums to be paid for the policies. In the policy, the carrier states the length and conditions of the agreement, exactly which losses it will provide compensation for, and how much will be awarded. The premium charged for the policy is based primarily on the amount to be awarded in case of loss, as well as the likelihood that the insurance carrier will actually have to pay. In order to be able to compensate policyholders for their losses, insurance companies invest the money they

receive in premiums, building up a portfolio of financial assets and income-producing real estate, which can then be used to pay off any future claims that may be brought. There are two basic types of insurance carriers: direct and reinsurance. Direct carriers are responsible for the initial underwriting of insurance policies and annuities, while reinsurance carriers assume all or part of the risk associated with the existing insurance policies originally underwritten by other insurance carriers.

Direct insurance carriers offer a variety of insurance policies. Life insurance provides financial protection to beneficiaries—usually spouses and dependent children—upon the death of the insured. Disability insurance supplies a preset income to an insured person who is unable to work due to injury or illness, and health insurance pays the expenses resulting from accidents and illness. An annuity (a contract or a group of contracts that furnishes a periodic income at regular intervals for a specified period) provides a steady income during retirement for the remainder of one's life. Property-casualty insurance protects against loss or damage to property resulting from hazards such as fire, theft, and natural disasters. Liability insurance shields policyholders from financial responsibility for injuries to others or for damage to other people's property. Most policies, such as automobile and homeowner's insurance, combine both property-casualty and liability coverage. Companies that underwrite this kind of insurance are called property-casualty carriers. Some insurance policies cover groups of people, ranging from a few to thousands of individuals. These policies usually are issued to employers for the benefit of their employees or to unions, professional associations, or other membership

organizations for the benefit of their members. Among the most common policies of this nature are group life and health plans. Insurance carriers also underwrite a variety of specialized types of insurance, such as real-estate title insurance, employee surety and fidelity bonding, and medical malpractice insurance.

A relatively recent act of Congress allows insurance carriers and other financial institutions, such as banks and securities firms, to sell one another's products. As a result, more insurance carriers now sell financial products such as securities, mutual funds, and various retirement plans. This approach is most common in life insurance companies that already sell annuities; however, property and casualty companies also are increasingly selling a wider range of financial products. In order to expand into one another's markets, insurance carriers, banks, and securities firms have engaged in numerous mergers, allowing the merging companies access to each other's client base and geographical markets. Insurance carriers have discovered that the Internet can be a powerful tool for reaching potential and existing customers. Most carriers use the Internet simply to post company information, such as sales brochures and product information, financial statements, and a list of local agents. However, an increasing number of carriers are starting to expand their Web sites to enable customers to access online account and billing information, and a few carriers even allow claims to be submitted online. Some carriers also provide insurance quotes online based on the information submitted by customers on their Internet sites. In the future, carriers will allow customers to purchase policies through the Internet without ever speaking to a live agent.

In addition to individual carrier-sponsored Internet sites, several "lead-generating" sites have emerged. These sites allow potential customers to input information about their insurance policy needs. For a fee, the sites forward customer information to a number of insurance companies, which review the information and, if they decide to take on the policy, contact the customer with an offer. This practice gives consumers the freedom to accept the best rate. The insurance industry also includes a number of independent organizations that provide a wide array of insurance-related services to carriers and their clients. One such service is the processing of claims forms for medical practitioners. Other services include loss prevention and risk management. Also, insurance companies sometimes hire independent claims adjusters to investigate accidents and claims for property damage and to assign a dollar estimate to the claim. Other organizations in the industry are formed by groups of insurance companies, to perform functions that would result in a duplication of effort if each company carried them out individually. For example, service organizations are supported by insurance companies to provide loss statistics, which the companies use to set their rates.

(B) CHINA:

Currently India and China are the most lucrative insurance markets in the world. India and China constitute the home of half of the population of the world and their recent rapid economic development makes them attractive for foreign investment. Though India's economic development is not as rapid as China's, it enjoys comparative strength in the socio-political front. India

is the world's largest democracy and democracy is deep- rooted in its social and political institutions. The executive and the judiciary system are the continuation of British legacy, which ruled India for 200 years. English, the unofficial language of correspondence and instruction, is well spoken by the educated. Another strength is its abundant highly educated skilled workforce. India's stride in the fields of software and logical ability is well known in the world. The savings rate is quite high in US standards. All this makes India an attractive destination of US insurance companies.

Insurance sector reforms have been slow to take shape, taking nearly a decade. Thanks to the proposed reforms, quite a few global insurance majors are streaming into the country. A burgeoning middle class, high per capita savings, and low penetration of insurance are some of the key factors responsible for the tremendous interest foreign insurance companies are showing in the Indian insurance industry. An insurance survey by LIC and KPMG reveals interesting facets of the emerging trends in the Indian insurance industry. The annual growth in the average insurance premium in India has been 8.2 per cent compared with the global average of 3-4 per cent. Insurance density in the country, based on per capita premium, was $5 in the life insurance segment and $2 in the general segment. Compared with the Indian life insurance standard, insurance density stood at $3,236 in Japan, $1,079 in the US, $18 in Brazil and $14 in Mexico.

The share of life insurance premium to GDP was 1.29 per cent in India, which is abysmal in the global standard. Despite these opportunities, however, there is also a rough ride ahead for the new players in India. This is because, unlike in the West, insurance is sold more as an instrument of

savings in India than as a product offering protection and security. LIC's 1996 insurance survey reveals that more than 40 per cent of insurance-buyers look at insurance products as a means of savings. Risk coverage is only a secondary objective. Nearly 26 per cent of the insurance policies sold are on considerations of old age security. Only 18 per cent of insurance policies are sold on death risk considerations. Between expectation and reality, of course, there is a bridge. Will the average citizen reach out to private players and invest his lifetime's earnings with them? Here, the new companies probably will be fighting a mindset.

The Life Insurance Corporation and General Insurance Corporation, by virtue of their monopoly status, are so deeply entrenched in the popular psyche that it would likely require Herculean effort to sell the idea of private insurance products. They have to educate the people, and integrate the sector with its world counterpart by shifting its leaning from savings to risk hedging. The economic reform process in India is 'irreversible' and is producing a strong efficient financial system in the model of its US counterpart. The insurance companies will only hasten the process. From a socio-economic development point of view, the huge amount of funds that will be at the disposal of players will be directed in desired avenues like infrastructure, housing, safe drinking water, electricity and primary education. The growth of the debt market, which hitherto had been a neglected child of the capital market, will also get a boost as the funds from insurance companies start flowing into the kitty of the corporate sector. Once again this will boost demand and growth by raising employment levels. Similarly, stock market investments will further aid the growth of the capital

market and equity cult. The multiplier effect will be enormous. Policyholders will get better pricing of products from insurance majors. Permission to invest more in corporate equity and debt instruments would also enhance returns on policy funds. Once the benefit of opening the sector becomes noticed in the society, the misplaced concern regarding 'flight of money outside the country' will be removed from the mindset of people, which should aid in garnering popular support for the free, competitive liberalized economy. Facing the reality of a saturated home market, the US insurance companies must look outward and concentrate on the real growth economies like India and China. Since the gestation period of the typical insurance business is around ten years, it is high time to make their presence felt in India.

The new players will have to prove their creditworthiness. It will be a time consuming and difficult task to win customers away from LIC and gain their trust. Their track record and brand value in overseas market will not help them much in getting immediate brand recognition in India. Though they may piggyback on the brand names of their local partner, in the long run, it is their persistent track record and creditworthiness, which will matter. So, being among the first will be a deciding factor in the success in this business. Already several companies have entered into the market and a dozen companies have joined with foreign partners (see table). The real growth in twenty-first century will come from the countries like India and China. Delay may doom future efforts to stake a claim in these high potential markets.

REFLECTIONS ON INDIAN ECONOMY:

India's insurance sector, like many other sectors, is set to boom given the unprecedented growth of the economy. With household incomes rising, the life-insurance market could double from the present US$40 billion to $80 billion or even $100 billion by 2012, global consultancy McKinsey & Co said in a recent study. Interestingly, McKinsey said that apart from better penetration and greater prosperity, an aging wealthy Indian population will spearhead growth in the insurance sector. Most studies about India tend to focus on the young population below 35 years of age, given to buying gizmos, apparel and cars.

However, lately there have been several reports that a big section of successful Indians with high purchasing power will begin to age soon and throw up a new market segment that businesses will need to tap. This can range from specially catered quality products in the travel and hospitality industry to entertainment, insurance, television, movies, health, fitness, insurance, food, footwear, jewelry and clothing. More than 110 million Indians are expected to be over 60 by 2016, a figure that could rise to almost 200 million by 2030. India's present population is 1.1 billion. "All factors are in place for the Indian life-insurance industry to blossom into one of the fastest-growing financial-services markets in the world," said the McKinsey report. "The only one with similar potential is China. The next five years will be very exciting."

Insurance products are being sought in the absence of social security in India and because of tax benefits due to such investments. Indians rank life insurance higher than any other investment, McKinsey said. Education

is another segment in which Indians like to invest a lot of their money as providing a clear step up in life. Insurance products that seek to provide for a child's future needs are thus popular. For female children the emphasis is on higher education as well, rather than focusing on just marriage expenditures. Indeed, some of the predictions by McKinsey are substantiated by the Life Insurance Council, the top body of life-insurance firms in India, which has said that the industry recorded a growth of 20.5% in renewal premiums in 2006-07. The average Indian now spends 5.4 times as much on life insurance than seven years back when the industry was not open to private players. Today Bajaj Alliance, ICICI Lombard, HDFC Standard, Birla Sun Life and ING Vysa are among the 17 life insurers and almost 30 public and private operators. Recently, HSBC Holdings announced that a unit would take a 26% stake in a life-insurance venture with India's Canara Bank and Oriental Bank of Commerce. The government-owned Life Insurance Corp continues to dominate with 70% of the market because of its big reach. However, the position is being continuously challenged by aggressive private firms. The presence of an independent insurance regulator to promote orderly growth and protect the policyholder has helped bring about transparency in the market. Insurance premiums in India have risen from 1.2% to more than 4% of gross domestic product, much less than in Britain or Japan but more than in China, where the figure stands at just 1.7% of GDP. The United States too is at around 4%, but that country has a very strong social-security system that is almost absent in India.

Foreign institutional investors (FIIs) that have long driven the Indian stock markets are facing competition from life insurers. Life-insurance companies pumped Rs1.5 trillion ($37.3 billion) into the equity market in fiscal 2006-07, which is almost five times total FII investments. McKinsey predicts that insurance premiums should rise to between 5.1% and 6.2% of GDP in 2012, even as household disposable income has increased by 5.3% per year, much higher than the 3.6% annual growth over the past 20 years. Demand for pension cover and medical insurance should also rise. Several products that specially cater to older people are likely to hit the market soon. India has also made its first moves to introduce social security, health insurance and other welfare schemes for workers in the unorganized sector, which forms more than 90% of the workforce.

The Indian cabinet has approved the Unorganized Sector Workers Social Security Bill 2007 that now needs to be approved by the Parliament. It remains to be seen, however, how the implementation of the scheme pans out, as major government efforts to reach out to the poor via employment or public distribution systems have not succeeded because of rampant corruption and pilferage. The intended beneficiaries never get to see the doles. On a brighter note, though, KPMG has said that insurance outsourcing is also set to boom. The insurance industry has usually been the most sluggish to go for outsourcing, but in the recent past the market has transformed because of dwindling margins, higher claims disbursement and rising competition. The size of the industry, with more than 1,500 property- and casualty-insurance companies and 1,300 health-insurance firms in the US alone, makes insurance outsourcing an attractive market,

KPMG said. KPMG said total estimated revenues from offshore insurance business process outsourcing (BPO) services from India were expected to rise from $790 million in 2007 to about $2 billion 2010. "Employment in the Indian insurance offshoring sector is likely to increase from 41,600 to 100,500 in 2010," it added. The key gains of offshoring to India include the low-cost manpower and operations advantage, apart from being an established destination for outsourcing, with the right cultural, social and economic milieu. It is expected that Indian information-technology (IT) outsourcing firms could tilt current relationships with large insurers. Over time, high-end processes such as analytics, actuarial and underwriting services could move into India, the study suggests. One growth area is claims and policy administration. "Players like Genpact, WNS and EXL Services, as well as BPO offshoots of IT companies such as IBM, TCS, Infosys, Progeon and Wipro, are expected to emerge as competitive global players in the segment," said KPMG. However, observers say that overall the insurance sector remains heavily regulated and there is further need to open it to foreign investors to bring in capital.

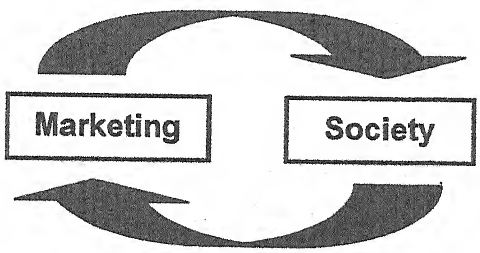
Foreign holdings in Indian insurance companies are limited to 26%. The Congress party-led government has been looking to change the laws and increase the permissible stake to 49%, but the left-wing parties in the ruling coalition have stymied the efforts.

Chapter-IV

EMERGING DIMENSIONS IN INSURANCE MARKETING

MARKETING OF LIC & GIC:

To begin answering this question, let's consider a few definitions. Marketing is defined in various ways by different people. The most suitable to the present context is **"all the activities involved in moving products and services from the source to the end user, including advertising, sales, packaging, promotion and printing"**. The most critical entity implied by this definition is **'end user'**. The definition of society suitable to this context is **"Society is made up of people, groups, networks, institutions, organizations and systems. These aspects of society may include local, national and international patterns of relationships. People belong to informal and formal groups, and within and between these groups there are patterns of interactions."** The most critical entity implied by this definition is **'people'**.



A **marketing strategy** is a process that can allow an organization to concentrate its (always limited) resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy is most effective when it is an integral component of corporate strategy, defining how the organization will engage customers, prospects and competitors in the market arena for success. It is partially derived from broader corporate missions, and corporate goals. They should flow from the

firm's mission statement. They are also influenced by a range of environmental factors. A good marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Many companies cascade a strategy throughout an organization, by creating strategy tactics that then become strategy goals for the next level or group. Each group is expected to take that strategy goal and develop a set of tactics to achieve that goal. This is why it is important to make each strategy goal measurable. Every marketing strategy is unique, but if we abstract from the individualizing details, each can be reduced into a generic marketing strategy. There are a number of ways of categorizing these generic strategies. A brief description of the most common categorizing schemes is presented below:

- Strategies based on market dominance - In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are three types of market dominance strategies:
    - Leader
    - Challenger
    - Follower
- Porter generic strategies - strategy on the dimensions of strategic scope and strategic strength. Strategic scope refers to the market penetration while strategic strength refers to the firm's sustainable competitive advantage.
    - Cost leadership
    - Product differentiation
    - Market segmentation

The objective of many marketing strategies in the last 10 years has been building the customer's commitment to a brand or a dealer. This has taken three forms:

- Innovation strategies - This deals with the firm's rate of the new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:
    - Pioneers
    - Close followers
    - Late followers
- Growth strategies - In this scheme we ask the question, "How should the firm grow?". There are a number of different ways of answering that question, but the most common gives four answers:
    - Horizontal integration
    - Vertical integration
    - Diversification
    - Intensification

A more detailed schemes uses the categories:

- Prospector
- Analyzer
- Defender
- Reactor

CUSTOMER SATISFACTION:

Delivering superior quality products and services is very much needed for customer satisfaction. The sum - the sum of the intangible assets of a brand. Factors that contribute to this are: name awareness, perceived quality, brand loyalty, the associations consumers have towards the brand, trademarks, packaging, and marketing channel presence.

CREATING AND MAINTAINING RELATIONSHIPS:

Success with any of these strategies will result in high levels of repeat purchase, insulation from price increases and improved responsiveness to marketing communications by customers. There has been an evolution of marketing thought and activity over this last decade. Initially, the quality movement placed customer satisfaction as the ultimate goal of marketing programs. However, as satisfied customers were shown to defect to other brands or providers at relatively high rates, strategists looked to creating a greater commitment with the customer. Two ways to achieve this were to build brand equity (primarily for consumer products) and to build relationships (primarily for industrial products.) Brand equity used mass media advertising, corporate citizenship and public events sponsorship to build a brand image. Relationship marketing sought to build interdependence between partners and relied on one-to-one communications, historically delivered through the sales force. With the growth of marketing databases and the Internet, the ability to reach customers individually became a viable strategy for a wide range of firms

including consumer products companies. The growth in relationship marketing was fueled by the writings of management consultants.

In 1993, Don Peppers and Martha Rogers published The One-to-One Future. Taking inspiration from mass customization manufacturing technologies and applying them to marketing communications, Peppers and Rogers encouraged a one-to-one focus on "share of customer" rather than the mass marketer's "share of market." This was based on the marketer's ability to communicate a unique message to the customers based on the company's knowledge of their interests. They claimed that this one-to-one interaction with customers would lead to improved lifetime value.

CUSTOMER COMMITMENT IN SERVICE MARKETING:

Frederick Reichheld further developed the importance of building customer commitment in his 1996 book The Loyalty Effect. He focused on the cost of customer defection and set the stage for the problem by claiming "many major corporations now lose and have to replace half their customers in five years...". Using examples from financial service companies, advertising agencies, and manufacturing firms, Reichheld claimed that even small improvements in customer retention can as much as double company profits.

This is because:

1. It costs less to serve long-term customers.
2. Loyal customers will pay a price premium.
3. Loyal customers will generate word-of-mouth referrals to other prospective customers.

However, given the failure of many information technology investments to achieve the expected benefits, concerns about relationship marketing strategy are emerging. The section that follows addresses the questions of whether loyal customers are more profitable and under what conditions a loyalty strategy is appropriate. The major technology enablers for relationship marketing have been the Internet and enterprise- wide management information systems. The former allowed businesses, for the first time, to get low cost interactions with customers. The second allowed for a firm to generate a single view of a customer across all functional areas of a firm. Both of these systems together allowed for customized communication with a single customer for very large firms.

Marketing strategies for product software assist software firms to determine the type of market analysis that is needed for decision-making. Two general strategies that are well known in the marketing discipline are:

- Marketing mix and
- Relational marketing

"Marketing mix" is the typical strategy for traditional mass marketers of product software in competitive markets. Structured market research, and agility in reacting to sales, are characteristic of their product development process. An example would be Electronic Arts, with their various home computer software games, which are advertised on television and sold in many electronic stores.

“Relational marketing”, also known as relationship marketing, is used by product software companies who focus on long-term customer relationships. An example of this is SAP, which offers enterprise resource

planning systems, along with support (since the software is complicated to install). Maintaining customer relationships helps sell additional modules and future upgrades.

Broethers and Van't Kruis explain two other strategies that are important to the growth of software firms:

- A service-based strategy; and
- A different marketing channels strategy

Information about customer preferences, observations of customer reactions, and knowledge of past mistakes are important for the "service-based strategy". "Different marketing channels strategy" tries to discover non-traditional marketing channels to help increase distribution of software products to other target markets that take advantage of positional differences. "Alliance-based strategies", on the other hand, are helpful at providing knowledge exchanges, opening previously inaccessible markets (such as export markets), and an overall larger market access (1997). Besides helping with current strategies, market analysis can improve future planning and growth strategies that are helpful in product roadmapping decisions. It also helps discover areas where "complementary product development" and "diversification strategies" can be profitable. Complementary goods can be in the form of other software products, hardware, or services, such as consultancy, user training, and customization. The development of these goods increases the opportunities for companies in the software market. Even complementary products from other vendors can lead to an increase in the value of the original product, while reducing the time to market.

The complementary product strategy adds value by showing innovation, and creates a multiplier effect on the original product (Sengupta, 1998). Investing in other products and services aids in diversification, which can increase the overall customer base, and helps decrease the risks of being overly specialized. Diversification can, therefore, increase the financial health of the company. An example of this is Microsoft, which has increased the sales of its primary operating system software by offering products, such as word processing, and media player software.

In today's impersonal marketplace, customer satisfaction, retention and loyalty are rapidly become the thing of the past. Relationship Marketing brings them back to the forefront, providing easy-to-apply solutions and strategies for establishing meaningful bonds with customers and turning them into reliable, life-long partners. Relationship Marketing can be defined as the process to identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfilment of promises. The important objectives of relationship marketing are to acquire new customers, maintain and enhance existing relationships with existing customers, reactivation of ex-customers, and handling of customer terminations. The key objective of relatioship marketing is to establish a one to one relationship with all the customers. This may sound like a daydream few years ago; but thanks to the technological breakthrough and technological solutions providers it is very much of reality.

LIFE INSURANCE COMPANIES MARKETING STATISTICS:

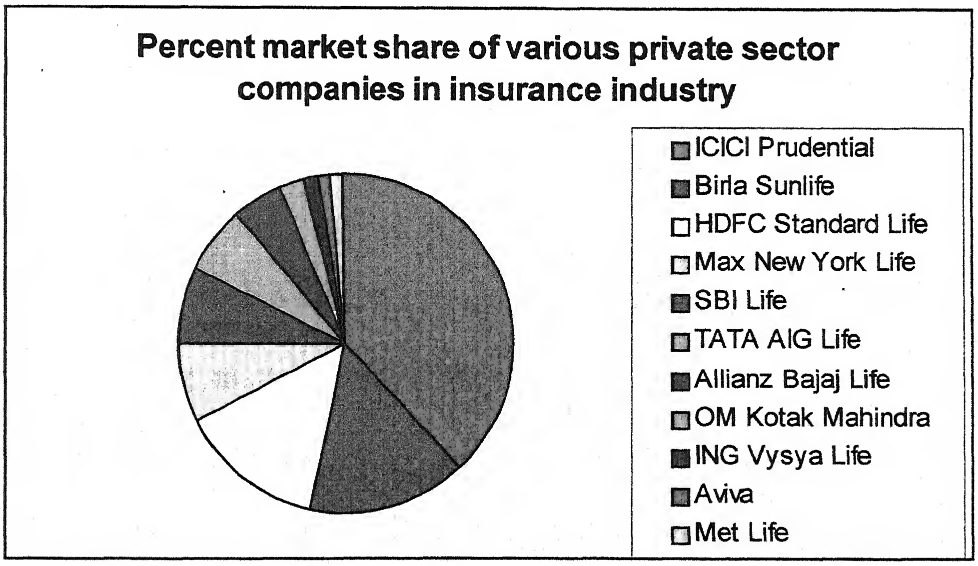
"Insurance is like marriage you pay, pay, pay and you never get anything back", that is the mindset of an average person. Life insurance business in India today is spearheaded by Life Insurance Corporation of India, which was nationalized in 1956. Now LIC of India now has a network of 7 zones, 100 divisions and over 2000 branches across the country with over 550,000 agents. This statistics sounds very impressive, still LIC of India have covered 100 million lives in India, which is only 22% of Indian Insurable Population. In 1999, the Insurance Regulatory Development Act was passed in the Indian Parliament and the door was opened for private companies with foreign equity. So far twelve private players have been granted license to conduct life insurance business in India. The Market share of new business statistics of all life insurance companies for the period April 2005 – March 2006 is given in the following table. **Market share of new business of all life insurance companies.**

Table no. 17

Company	Number of Policies Sold	New Premium Income	Year on Year Premium growth %	Market Share of Industry %	Market Share of Private Players
ICICI Prudential	244,438	364.9	313.6	3	37.2
Birla Sunlife	64,844	149.6	432.8	1.2	15.2
HDFC Standard Life	124,839	132.7	368.0	1.1	13.5
Max New York Life	74,199	76.8	199.5	0.6	7.8

SBI Life	17,746	72.8	491.2	0.6	7.4
Tata-AIG Life	91,568	59.8	198.5	0.5	6.1
Allianz Bajaj Life	115,964	53.8	481.6	0.4	5.5
OM Kotak Mahindra	32,250	30.7	313.1	0.2	3.1
ING Vysya Life	26,664	17.5	427.2	0.1	1.8
Aviva	17,024	12.6	NA	0.1	1.3
Met Life	11,227	6.2	697.8	0.1	0.6
AMP Sanmar	16,344	4.6	1642.9	0	0.5
Sub total	8,37,107	981.8	331.0	8	100
LIC	2,45,45,583	11,343.0	76.4	92	NA
Grand Total	2,53,82,690	12,324.8	82.9	100	NA

Diagram: 8



LIC is still on top with a lion's share of the market, but LIC customers had turbulent times through the years. They have government organisation was the king on top, the place traditionally reserved for the customer. Though, LIC had a variety of insurance plans to cater to all categories of people and to their diverse needs, quality and quick customer service were absent

throughout due to customer unfriendly attitude. Absence of marketing acumen, some agents without proper training and absence of quality service made the Indian government to infuse new blood into the market, the private players. The monopoly of LIC, made insurance an underdeveloped sector, with a vast majority of the Indian population uninsured or under insured. The equation in the market is changing quickly as private insurance players like HDFC and ICICI Prudential are offering real service for Indian life insurance customers with well trained agents (these IRDA certified agents are designated as Life insurance advisors).

It appears as if LIC's position is at stake. But it is not so in near future. The main reasons are:

It will take time for private players to establish a wide distribution network

- Brand equity of LIC a period
- Long gestation period for private players

RELATIONSHIP MARKETING FOR LIFE INSURANCE SECTOR:

Services marketing is a different ball game when you compare it with marketing objects. The fact that the most of the services ranging from haircut to management consultancy are provided on an on going process that paves way for Relationship Marketing. It is the high time for service industry to adopt relationship marketing. Both the company and the customers will benefit from Relationship Marketing. Technological advancement in IT field makes Relationship Marketing affordable, feasible and powerful. In this backdrop to survive and excel in a competitive market,

companies should go far beyond the traditional marketing techniques. One promising technique available at their disposal is RELATIONSHIP MARKETING. Relationship Marketing concentrates on the long-term, ongoing relational exchange so vital to service firms today and represents a paradigm shift in Marketing. Life Insurance Agents and Development Officers and other employees at LIC of India and Private Insurance Companies should apply and appreciate the concept of Relationship Marketing to survive and excel in a competitive industry.

SUBSIDIARIES AND RELATED DEVELOPMENTS:

- Understand the level of competition prevailing in the Indian insurance industry.
- Discuss strategies and plans to counter the moves of competitors.
- Understand the threat to the Life Insurance Corporation (LIC) posed by potential competition.

In the late 1980s, LIC established a few subsidiaries with a view to expanding its services. These were LIC Housing Finance Limited, LIC Mutual Fund, Life Insurance Corporation (International) E.C. and LIC (Nepal). LIC Housing Finance Limited (LICHFL) was started in June 1989, to provide long-term finance for purchase/construction of houses/flats, particularly to policyholders of LIC.

During the 1990s, the subsidiary grew into a premium housing finance company, disbursing over Rs 50 billion of loans. Its loan delivery system was the largest in the country.

The Indian government's decision to privatize the insurance industry broke the monopoly of LIC. With the advent of competition, LIC was forced to change its organizational outlook and its business processes. In January 2000, it adopted a three-pronged business strategy for business, which involved reduction in premiums, higher returns and introduction of new products. International consultants Booze Allen & Hamilton were hired in 2000, to advise LIC on the changes needed in the organization. In 2001, LIC tied up with two payment gateways - Billjunction.com and Timesofmoney.com to set up a facility for policyholders to pay premiums through the Internet. It also tied up with ICICI Bank, HDFC Bank, UTI Bank and Bank of Punjab to directly remit customers' policy premiums and debit their accounts after the transaction.

Insurance may be described as a social device to reduce or eliminate risk of loss to life and property. A large number of people form an association that shares the risks attached to individuals. The risks, which can be insured against, include fire, the perils of sea, death, accidents and burglary. Any risk contingent upon these may be insured against at a premium commensurate with the risk involved. Thus, insurance is the collective bearing of risk. The insurance business is broadly divided into two broad categories across the world - life insurance and general insurance.

In the late 1950s, LIC began using Unit Record Machines (electro mechanical machines) to process data punched into cards. Computers were introduced for the processing of data in 1964. By the 1980s, the Unit Record Machines were phased out and computers based on microprocessors were introduced for back-office computerisation. During the 1990s, the software

and hardware infrastructure at the company was standardized. There was a tremendous increase in the use of technology by LIC during the late 1990s. The company launched its website, www.licindia.com, in mid-1995, to offer policyholders basic services such as modifying policies (change of address, change of nominee) and querying the status of the policy.

LIC'S MARKETING STRATEGY:

Until the Indian insurance industry was liberalized, LIC did not have any clear marketing strategies. Since it enjoyed monopoly status, it could afford to have a very limited focus on marketing. For the average Indian, LIC became synonymous with life insurance, and over the years it built up an enviable brand image in both rural and urban areas. The company grew by leaps and bounds, with people buying its policies due to the tax concessions attached to it. On account of its position as a monopoly, LIC did not standardize its practices nor did it focused on providing better customer service to the policyholders. LIC had a large network of 8 lakh agents for distributing its products. The company had several marketing personnel designated as 'Development Officers' in each branch. These development officers, in turn, employed and trained a number of agents, and received incentives for the business generated by these agents, in addition to their regular salaries. However, this network was not very cost-effective as LIC had to pay bonuses and commissions twice - to the agents as well as the development officers - for every new policy and every subsequent renewal. Despite the efforts of the development officers, the retention of agents had become difficult. In order to be able to serve its customers better, LIC had an

well-organized grievance redressal system. The grievance redressal system consisted of Grievance Redressal Officers, complaint cells, a claims review committee, policyholders' councils, an advisory board, a consumers' affairs committee and a citizens' charter. LIC has had many problems relating to the efficient use of its human resources since the time it was set up. Many of these problems related to the fact that it was a public sector organization. The corporation's managers were too bureaucratic. The work culture in the organization was sloppy. Strong trade unions made it difficult for managers to get the work done. The corporation's development officers focused on their own earnings and incentives, rather than on customer satisfaction.

LIC planned to enter into more alliances with banks and with leading educational institutes for training. It would also increase offshore activities and set up an exclusive technology company for sourcing software. Other priorities were the setting up of special cells and single-window facilitation centers for high-end customers, rapid introduction of innovative policies, and a renewed thrust on mass and group business. The corporation also decided to offer value-added services to high-end customers, besides special services. At a later stage, it planned to have separate dedicated branches for high-end policyholders. The decision to have its own separate IT set-up was driven by the requirement of software for the sprawling network of LIC's branches and other offices. Until the early 21st century, the Indian life insurance industry was completely in the hands of LIC. In the 1950s, the industry had been nationalized in order to increase the penetration of insurance in the country and to make it available to less privileged segments of society. But even after 40 years of nationalization, only 25% of the

insurable population was covered under insurance. This was one of major reasons for opening up the sector -- to allow private players to work towards extending the reach and coverage of insurance all over the country.

The Life Insurance Corporation of India (LIC) has drawn up an ambitious plan to link 1500 branches across the country through wide area network (WAN) with a view to providing better customer service, according to LIC Chairman N. Bajpai. Presently 663 branches in 41 cities are connected with the system and as a part of massive computerisation drive, all the 2046 branches in the country have been linked with local area network (LAN), Bajpai told reporters here yesterday. With 1500 branches being linked with WAN by January 31, 2002, the LIC will emerge as the largest WAN user in the country, he said. The LIC was all set to expand its wings to United States, United Kingdom, Australia and Canada through joint ventures soon, he said, adding, the corporation had already entered into Nepal with a joint venture company, LIC Nepal Limited with 50 per cent stake raised by local Nepalese partner.

Few people know that Life Insurance Corporation (LIC), India's large state-owned insurance company, draws about half of its total business from the rural sector, as defined by the census. In fact, LIC is not alone among financial-services companies in warming to the potential of today's rural India, with its annual savings rate of about 30%, and an estimated 150m households, according to the National Readership Survey 2006. Of these 150m households, 3.5m are estimated to have a monthly household income of more than Rs10,000 (US$200), and another 16m have a monthly household income of Rs5,000-Rs10,000.

- 10m of the households in the 3.5m and 16m categories do not own a single insurance policy.
- Of the 75m adults belonging to these income categories, only 19m own a savings bank account and a mere 180,000 own a credit card.

Superimpose this with the intense competition in urban India's financial services market and the rural sector begins to look even more attractive to industry players—private-sector banks, insurance companies, asset-management companies and private-equity firms that concentrate on rural entrepreneurship.

TAPPING THE RURAL MARKET

Among the first financial institutions in India to tap the country's rural market was ICICI. In an interview in 2002 with the University of Pennsylvania, KV Kamath, managing director and chief executive of ICICI Bank, announced the launch of a strategic business model to deliver financial services to tens of thousands of Indian villages. Today, the institution's Rural, Micro-banking and Agri-business Group do just that. The Agri-business part of the portfolio offers working capital, term loans and cash- management services to large companies and small agri-enterprises, as well as individuals. Specific packages for pre- or post-harvest finance, raw material purchase, and rural and market infrastructure are also available. As part of its retail initiative, ICICI offers a suite of customised products and services to meet the individual banking needs of farmers, traders, processors and rural entrepreneurs. These offerings include loans for farm equipment and loans against warehouse receipts, and micro-

finance services in partnership with micro-finance institutions and non-government organisations (NGOs). Savings and investment needs are met by Agri Xpress Funds, a current-account facility, and options for commodity and equity trading.

Through its group companies, ICICI Lombard, ICICI Prudential and Prudential ICICI, ICICI offers a slew of insurance and mutual fund options. Today, ICICI estimates that the rural sector contributes 11% to its assets. It is therefore pushing ahead with new launches for the customer segment at the "bottom of the pyramid", according to Nachiket Mor, ICICI's deputy managing director and the driving force behind its rural initiatives. These include cards enabled with biometric authentication and partnering with 102 micro-finance institutions across India. "Our endeavour is to integrate the entire agricultural value chain 'from farm gate to food plate' in order to enhance the efficiency of agricultural production, deliver value to the farmer and offer better choices of products to the consumers," he says. "We have a No White Spaces strategy wherein we intend to scale up our rural presence in such a way that there is a customer touch-point within a 10-km radius of any customer".

GENERAL INSURANCE INDUSTRY IN INDIA - INCEPTION & WORKING:

General Insurance provides much-needed protection against unforeseen events such as accidents, illness, fire, burglary et al. Unlike Life Insurance, General Insurance is not meant to offer returns but is a protection against contingencies. Almost everything that has a financial value in life and has a

probability of getting lost, stolen or damaged, can be covered through General Insurance policy. Property (both movable and immovable), vehicle, cash, household goods, health, dishonesty and also one's liability towards others can be covered under general insurance policy. Under certain Acts of Parliament, some types of insurance like Motor Insurance and Public Liability Insurance have been made compulsory. Major insurance policies that are covered under General Insurance are:

- Home Insurance
- Health Insurance
- Motor Insurance
- Travel Insurance

The general insurance industry in India was nationalized and a government company known as General Insurance Corporation of India (GIC) was formed by the Central Government in November 1972. With effect from 1 January 1973 the erstwhile 107 Indian and foreign insurers which were operating in the country prior to nationalization, were grouped into four operating companies, namely, (i) National Insurance Company Limited; (ii) New India Assurance Company Limited; (iii) Oriental Insurance Company Limited; and (iv) United India Insurance Company Limited. All the above four subsidiaries of GIC operate all over the country competing with one another and underwriting various classes of general insurance business except for aviation insurance of national airlines and crop insurance which is handled by the GIC. From 799 offices in 1973, the network grew to 4,208 offices as on 31 March 1998.

Besides the domestic market, the industry is presently operating in 17 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies. The wholly-owned subsidiary of GIC known as India International Insurance Private Limited set up in 1988 in Singapore has grown into a leading company in the Singapore market. The gross premium income of the general insurance industry in India during 1997-98 was Rs 7,736 crore as against Rs 7,021 crore during 1996- 97 representing a growth of 10.2 per cent over the premium income of 1996-97. The net premium income of the general insurance industry in India during 1997-98 was Rs 6,725 crore as against Rs 6,041 crore during 1996-97 representing a growth of 11.3 per cent over the net premium income of 1996-97. The gross profit of the industry during 1997-98 were Rs 1,623 crore as against Rs 1,084 crore in 1996-97 recording a growth of 49.7 per cent over the previous year. The net profits of the industry during 1997-98 were Rs 1,255 crore as against Rs 719 crore in 1996-97 representing a growth of 74.5 per cent over the previous year.

Hut Insurance Scheme for Poor Families in Rural Areas provides fire insurance cover for huts and belongings of landless labourers, small farmers, artisans and other poor families in rural areas. Under the Scheme, compensation is provided for an amount not exceeding Rs 1,000 for a hut and Rs 500 for belongings in the hut destroyed by fire. The Central Government is bearing the entire premium in respect of the scheme. During the year 1997-98, 40,554 claims involving an amount of Rs 4.85 crore were settled.

Mediclaim Insurance Policy has recently been revised. The revised policy does away with the sub-limits under the various sub-heads and offers just one sum-insured ranging from Rs 15,000 to Rs 3,00,000. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domicillary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance. Premium is calculated on the basis of age of the proposer and the sum insured opted forJan Arogya Bima Policy which is primarily meant for the larger segment of the population who cannot afford the high cost of medical treatment, was introduced with effect from 12 August 1996. The limit of cover per person is Rs 5,000 per annum. The premium payable is very low depending on the age of the person covered ranging from Rs 70 to Rs 140 per person per year and Rs 50 per dependent child below 25years. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domicillary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance.

The existing Overseas Mediclaim Policy offering emergency medical expenses cover to overseas travellers has been extended to include In-flight Personal Accident cover up to US $ 10,000 and Loss of Passport cover upto US $ 150 from 1 April 1997.The extended cover will be available without payment of additional premium under Business and Holiday cover and under the Corporate Frequent Travellers cover. A more comprehensive policy with additional benefits has also been devised. A new policy called Videsh Yatra Mitra covering supplementary benefits besides providing indemnity for medical expenses during the period of overseas travel, has been introduced

by the general insurance industry with effect from 1 January 1998.Two types of policies—one offering limit of benefits up to US $ 2,50,000 for worldwide travel but excluding USA and Canada and the other offering limit of benefits up to US$ 5,00,000 for worldwide travel including USA and Canada are available under the Scheme. In addition to medical coverage, the policy also provides coverage for: (i) Personal Accident up to US $ 25,000; (ii) Loss of Personal Baggage up to US $ 1,000; (iii) Delayed Baggage up to US $ 100 and (iv) Personal Liability up to US $ 2,00,000. The premium under the policy is only 14 per cent more than that under the existing Overseas Mediclaim Policy (OMD), while the medical benefits will be increased five times in addition to supplementary benefits. Bhagyashree Child Welfare Policy covering girl child in the age group of 0 to 18 years whose parents' age does not exceed 60 years, was introduced with effect from 19 October 1998. In caseof each of the girl child or both parents, an amount of Rs 25,000 would be deposited in the name of the girl child with a financial institution. Fixed annual disbursements to the girl child up to the age of 18 years would be made from the amount to her credit, and the balance amount to her credit would be disbursed on attaining the age of 18 years.

Raj Rajeshwari Mahila Kalyan Yojana offering security to women in the age group of 10 to 75 years irrespective of their occupation was introduced with effect from 19 October 1998. For a premium of Rs 15 per annum, the policy provides a cover of Rs 25,000 for permanent total disablement of the insured woman. The policy also provides a cover of Rs 25,000 for the death of her husband. For the death of an unmarried woman, the policy provides a cover of Rs 25,000 which will be payable to her

nominee/legal heir. Crop Insurance Scheme was introduced from 1985 Kharif season. The scheme is implemented in 15 States and two UTs. The scheme is administered by GIC on behalf of Central government. The premium and claims are shared by the Central and State governments in the ratio of 2:1 respectively. There are 11 Crop Insurance Cells at State capitals and UTs under GIC. These cells maintain close liaison with the State governments and monitor the implementation of the scheme.

The susbsidiaries of GIC have introduced Jald Rahat Yojana with an objective to expedite payment of compensation to road accident victims. Under the scheme a claimant is not required to go to Motor Accident Claims Tribunal for claiming compensation and can directly approach concerned insurance company. Non-fatal injury claims involving accident victims of 18 years and above are taken up. The scheme is in operation in Ahmadabad, Mumbai, Bangalore, Calcutta, Delhi, Kochi, Chennai and Pune.

MARKETING OF GIC:

GIC did not seem to have formulated any concrete marketing strategies until the government of India had announced the liberalization of the Indian insurance industry. Since the company enjoyed a monopoly status in the market, it did not focus on marketing. Moreover, as some of the general insurance policies were mandatory, the company did not need to market them. GIC did not seem to focus on providing better service to the policyholders also. In the pre-liberalization era, most of the agents and development officers were more interested in getting more customers and there were many complaints about poor customer service. In December

1987, GIC, along with its subsidiaries set up a subsidiary in Singapore, known as India International Pvt. Ltd. with a paid-up capital of S$25 million. It offered a wide range of insurance policies including those for motor, marine hull and cargo, personal accident, workmen's compensation, public liability, fire and miscellaneous accidents. India International became a leading insurance company in Singapore. During the same period, GIC also set up The New India Assurance Company (Sierra Leone) Limited and The New India Assurance Company (Trinidad & Tobage) Limited.

GIC, India's national reinsurer, is looking seriously at the Chinese and Middle Eastern reinsurance markets and plans to set up offices in China and Dubai soon. For the reinsurer, both the mainland and the Middle East have considerable reinsurance potential and GIC is looking for new markets to expand its business. In China, the Indian company is keen to tap the huge property reinsurance market and will also explore placements of reinsurance business from the country. GIC is also looking at the possibility of doing business of Rs 30-50 lakhs from the Dubai market and is awaiting clearance to start operations through a full-fledge branch in the country. Currently, over 20% of GIC's total inward business comes from the Middle East, with almost all of it conducted through brokers. The Indian reinsurer, through its new office, hopes to increase business and also create a brand name in that region which has a very huge business potential. GIC has done inward reinsurance business worth Rs990 crore (US$190 million) in the last one year, which posted a 53% growth over the previous year.

Analysts felt that GIC's future looked bleaker after the deregulation of the insurance industry in India. Competition was tougher in the general

insurance segment, as compared to the life insurance segment. In life insurance, customers were locked in for life or at least for a minimum of 10 years. In general insurance, most of the policies were mandatory and had to be renewed annually. With the entry of private players and increasing competition, customers now had more choices and they had become highly price sensitive. They were not loyal to any specific company. Moreover, switching from one company to another did not involve any cost or inconvenience. In addition, building trust was not considered very important in this segment.

Indian insurance is on the threshold of deep and fundamental changes. The life insurance industry was nationalized in 1956 and the general insurance industry in 1972. Before that India had a thriving and competitive insurance industry with hundreds of private and foreign operators. Indian companies held a 60% market share even then. Yet, insufficient regulation also meant that there were a number of abuses. LIC has just about 100 million policies. This works out to an average of 1.5 policies per individual. So, only 65 million people are policyholders in India. This translates into just six to seven per cent of the Indian population. This clearly shows the low penetration of insurance in India. Currently, it is very difficult to make changes in policies once they are bought. This has to change. Moreover, to make them attractive, insurance policies should be made more people-friendly by launching products such as equity-linked insurance. Such policies can offer higher returns to investors.

BUSINESS AND SOCIAL OBJECTIVES:

When LIC was formed in 1956 through the amalgamation of 225 private companies, its business objectives complemented its social objectives. The main objective is to spread life insurance to every nook and corner of the country especially rural areas, to socially and economically backward classes and provide them reasonably priced financial cover against death. Other objectives include encouraging people to save for the future by making insurance-linked savings more attractive and secure. The funds created are then utilized and invested for nation building. The insurance business is conducted with the full realization that LIC is only a trustee of the insured public and priority is given to meet the needs that arise due to change in the social and economic environments. Even today after 50 years, the core value of social commitment has not changed. What have changed in recent times are customers' expectations and the environment in which the life insurance sector operates. This is due to globalization, which has opened up the insurance sector to private players.

The liberalization of the Indian insurance sector has been the subject of much debate for some years. The policy makers were in Dilemma. As some of them wanted competition, development and growth of insurance sector which is extremely essential for channeling the investments in to the infrastructure sector. On the other end, others had the fears that the insurance premium, which are substantial, would move out of the country, and wanted to have a cautious approach of opening for foreign participation in the sector. Some have opinion that large scale of operations; public sector bureaucracies and cumbersome procedures hampers nationalized insurers.

Therefore, potential private entrants are given entry in this area so the consumer will gain high customer service, speed and flexibility. They point out that their entry will mean better products and choice for the consumer. The critics counter that the benefit will be slim, because new players will concentrate on affluent, urban customers as foreign banks did until recently. As one of the rare occurrences the entire debate was put on the back burner and the IRDA succeed in making political consensus among fractions of different political parties. Though some changes and some restrictive clauses as regards to the foreign participation were included the IRDA has opened the doors for the private entry into insurance.

KEY ISSUES:

Whether the insurer is old or new, private or public, expanding the market will present multitude of challenges and opportunities. But the key issues, possible trends, opportunities and challenges that insurance sector will have still remains under the realms of the possibilities and speculation. What is the likely impact of opening up India's insurance sector? Thus we would first analyze that what is exact fear for the Indian insurance sector and this is a realistic.

PERSONAL HOUSING LOANS / CAR LOANS / EDUCATIONAL LOANS:

Home loan constitutes an important segment of the financial/-banking sector of the Indian economy. The present economic boom and the mass wealth generation of the middle class have increased its importance to a

further extent. Various commercial banks operating within the broad parameter of the Indian economy offer Home Loan facilities to its customers as well as the non-customers. The home loan facility has enabled the earning class who are not so well possessed to construct/ purchase a home of their own to realize their long serving dreams. The policy guidelines of the commercial banks with regard to home loan are more or less uniform except a few exceptions with reference to hidden cost, recovery method etc. in view of the rise in the home loan interest rates in the recent time, Home loan disbursals are likely to grow at 20 per cent in 2007-08. This rate is lower than the 30 per cent annual increase seen in the past three years, but in absolute terms represents a substantial expansion. The slower growth reflects the impact of rising property prices and interest rates: property prices in the metros and Tier I cities have grown at a compounded annual rate of 30- 40 per cent, and interest rates have increased by a total of about 400 basis points, since October 2004. The incremental net profitability margins of housing finance companies reduced to 1.52 per cent in the first half of 2006-07, from 1.76 per cent in 2004-05. Many housing finance companies are borrowing short-term to counter this trend, a risky strategy in a rising interest rate scenario.

As interest rates rise, so will the cost of the loans. For the high net worth individual who was so far able to wriggle out a special discount on the home loan interest rate, the situation is likely to change for the worse. The recommendation to the loan-seeker is to consider opting for a loan, which has an initial period during which interest rates are fixed. While we expect interest rates to rise this year, we do not see any such concerns from a long-

term perspective. In fact as the market matures and differential pricing is introduced, a borrower with a good track record may benefit from lower cost loans. The recommendation for long-term investors is to enter the stock markets via Systematic Investment Plans (SIPs) that are offered by almost all mutual funds. This will dilute the risk of you mistiming the market. The RBI's policy measures can be taken as a signal to bankers to exercise caution on the real estate sector, including home loans. The rise in interest rates is also making it more expensive for consumers. Every 100-basis-point increase in the interest rate on home loans knocks off nearly Rs 1 lakh from the amount an individual is eligible to borrow. Thus, borrowers who were earlier eligible for, say, a Rs 20 lakh loan, will now be able to borrow Rs 17 lakh. Many banks have held rates for existing borrowers but raised the rate for new ones. The home loan portfolio, which has been growing at around 35 per cent for some years is expected to slow down to around 25 per cent in the coming months. The rising interest rates and property prices will have a negative impact on home loan growth.

The Home insurance sector in India is at a nascent stage as compared to other insurance sectors in the country. With the real estate boom at its prime in India, home finance has become an indispensable part of real estate functioning. Moreover, the housing finance companies (HFCs) are also playing an important role in the evolvement of the home insurance company in India. Due to the new regulations by the finance companies making home insurance mandatory for seeking home loans in India, the home insurance sector has recently seen massive revival in business. Industry analyst say that, if the home loans and insurance sector continue to facilitate each

others growth, then the insurance segment is soon set to achieve a 100% growth. The latest growth curve shows the home insurance premium touching the Rs 150 crore-mark, registering a growth of 25% in the last financial year; and if the situation prevails, the trend is predicted to continue.

As the growth curve of investments in Indian real estate sector escalates, more and more insurance companies are making their foray into the home insurance sector. This has also initiated a trend of insurance companies from across the globe making their foray into Indian market either as individual entity or in joint ventures with the local existing insurance companies. Home insurance and real estate has of late become conspicuous of the buzz it has created in the realty industry in India. Adding to the list of leading and existing public sector companies in the home insurance business like New India Assurance, Life Insurance Company of India, United India Insurance, Oriental Insurance and National Insurance Company; is a list of private insurance companies which are set to play a pivotal role in the growth of the sector. The most thriving amongst those are mostly joint venture companies like ICICI Lombard General Insurance, Bajaj Allianz General Insurance, Tata AIG General Insurance Company Ltd, IFFCO-TOKIO and Royal Sundaram Alliance to name a few. Considering the feasibility of a largely huge and growing market, the home insurance sectors has lately expanded its business beyond the metros to the Tier I and II cities where real estate development is expected to flare up in the years to come. The booming real estate sector in India is considered to be one of the most encouraging factors in the resurgence of the home

insurance sector. However, apart from the real estate factor, the recent spate of calamities that has hit the country like the earthquakes, tsunami, the consistent flood every year in most parts of the country and the exceptional cases of 'deluge' in Mumbai in 2005 has made people opt for home insurance like never before. Besides that, the home insurance companies are also providing their customers with attractive policy plans to suit their needs and budget.

LIC HOME LOAN:

LIC Housing Finance Limited is one of the leading players in the home loan segment. Incorporated on June, 19, 1989 and promoted by the Life Insurance Corporation of India, LIC Housing Finance Limited boasts of an extensive distribution network and a massive brand presence by virtue of being one of the earlier entrants in the market for housing loans. LIC offers home loans for construction/purchase of house/flat and also for renovation of existing flat/house. LIC Griha Prakash and Griha Laxmi loans are for purchase and construction of properties and the maximum loan offered can go up to Rs 1 crore. In both the cases the home loan finances up to 85% maximum of the cost of the property, which is inclusive of agreement value, stamp duty and registration charges. LIC Griha Sudhar Loan facilitates repairs/renovation of properties. The maximum loan amount can be up to Rs.10 lacs and the loan to property cost won't exceed 85% of Cost of Repairs or 25% of Market Value of Property, whichever is lower.

LIC Griha Prakash loans are meant for extension of residential units and the loan amounts range from Rs. 25,000 to Rs.1,00,00,000. The

company finances up to 85% of the total cost of the property including Stamp Duty and Registration Charges. The maximum repayment period can be up to 20 years or retirement age or 70 years of age, whichever is earliest.

LIC HOUSING FINANCE:

LIC Housing Finance Limited was incorporated on June, 19, 1989 and promoted by the Life Insurance Corporation of India. As one of the leading players and an earlier entrant in the market for housing loans, LIC Housing Finance Limited boasts of an extensive distribution network. LIC offers home loans for construction/purchase of house/flat and also for renovation of existing flat/house. While **LIC Griha Prakash** and are for purchase, construction of properties and extension of residential units, **LIC Griha Sudhar Loan** facilitates repairs/renovation of properties.

LIC housing finance provide loans for:

- Purchase/construction/repair and renovation of new/existing flats/houses.
- Finance for existing property for business/personal needs
- Loans to professionals for purchase/construction of Clinics/Nursing Homes/Diagnostic Centers/Office Space.
- Loans to Corporate Bodies and Companies under different schemes for purchase/construction of office premises for their own use, construction of staff quarters and also for onward lending to meet the requirements of employees

- Loans to Property Builders and Developers for residential and commercial projects.

Eligibility criteria for resident Indians:

- Minimum age 21 years as on the date of sanction.
- You must be in permanent service or engaged in a profession or business.
- A stable job and regular income.

Eligibility criteria for NRIs:

- Minimum age 21 years and Graduate
- Valid Indian Passport (for NRIs)/ valid foreign passport (for PIOs)
- Steady source of income.
- Valid job contract or works permit.

Rate of Interest:

The Interest Rate depends on the purpose for which the housing loan is taken which could be for the purchase of a new house, existing house from second owner, construction of house, renovation, etc.

Loan Amount:

Loan amount is determined on the basis of the repayment capacity of the applicant/s. Repayment capacity takes into consideration factors such as age, income, savings, assets, stability of occupation and continuity of

income, dependents, liabilities, etc. In LIC Griha Prakash scheme, the maximum loan can go up to Rs 1crore starting from Rs. 25,000. The minimum is Rs.1,00,000 and maximum is Rs.1,00,00,000 for Griha Laxmi. In both cases, the home loan finances go up to 85% of the cost of the property including agreement value, stamp duty and registration charges. For purchase of a site/ vacant plot, the minimum is Rs.50, 000 and maximum is Rs. 20,00,000. LIC Griha Sudhar Loan offers a maximum loan amount of up to Rs.10 lacs and the loan to property cost shall not exceed 85% of the cost of repairs or 25% of market value of property, whichever is lower. The company finances up to 85% of the total cost of the property including Stamp Duty and Registration Charges. For security purposes, you will need to provide:

- An equitable mortgage of house/flat
- One guarantor

Repayment:

Repayment Mode: Equated Monthly Installments (EMI) - Monthly Rest Basis. Repayment of the loan for **resident Indians** is permitted for a maximum period of:

- 20 years for 'Griha Prakash' or Retirement Age, or 70 years of age, whichever is earliest.
- 15 years for 'Griha Laxmi' and 'Griha Sudhar' or Retirement Age, or 70 years of age, whichever is earliest.

The maximum duration for repayment of loans for **NRIs** is

- 10 years under 'Griha Shobha' and

- 15 years under 'Griha Laxmi'

However, the term for the loan will under no circumstances exceed the age of retirement or completion of 65 years of age, whichever is earlier. For NRIs, the maximum term is restricted to seven to 10 years.

GIC HOME LOAN:

GIC Housing Finance Limited was established as 'GIC Grih Vitta Limited' on December 12, 1989 with the objective of granting housing loans to individuals and to persons/entities engaged in construction of houses/flats for residential purposes. GIC Housing Finance was promoted by the General Insurance Corporation of India along with financial institutions like UTI, ICICI, IFCI and HDFC. GIC's Step Up/Down schemes are unique for the flexible repayment options. Borrowers have the option to pay smaller amounts (EMI) initially and proportionally larger amounts (EMI) during the later part of the tenure of the loan or vice-versa. Thus these schemes benefit both aspiring individuals moving up the career ladder and seasoned executives approaching their retirement age.

GIC home loans also provide the option of Flexi-Fixed rates of interest. avail of the option of having your loan requirement split up into two portions made up of one portion with a Floating rate of interest and the other with a Fixed rate of interest. The ratio of Floating to Fixed is purely dependent upon your convenience and desire, but care would be taken to round off the respective amounts to the next upper Rs.1000/-. GICHFL has presence in 23 locations across the country for business. It has got a strong marketing

team, which is further assisted by Sales Associates (SAs). It has tie-ups with builders to provide finance to individual borrowers.

Housing is the one of the basic needs for every human being, with Food, Clothing and Education being the other three. Housing is an important component and a measure of socio–economic status of the people. It is regarded as a critical sector in terms of policy initiatives and interventions. The relevance of housing as a social need has been long recognized, and this has influenced the innovations and inventions made by mankind, since the Stone Ages.

Housing being the one of the essential needs of mankind, the demand for shelter grows in line with the increase in population and the standard of living; hence the need of financing the purchasing of a House came up. The importance of the housing sector can be judged by the fact that we consider house as the best investment and want to invest our hard earned money or saving in a house. The need for Finance to purchase a house brought out specialized Housing Finance Institutions. The Housing Finance Companies (HFCs) as they are called today, have stepped up their lending over the years contributing to the growth of the housing sector. Their strength lies in their skills in lending exclusively for housing sector. Such is the background of GIC Housing Finance Ltd (GICHFL).

GIC Housing Finance Limited was incorporated as 'GIC Grih Vitta Limited' on 12th December 1989. The name was changed to its present name vide a fresh Certificate of Incorporation issued on 16th November 1993. The Company was formed with the objective of entering in the field of direct lending to individuals and other corporate to accelerate the housing

activities in India. The primary business of GICHFL is granting housing loans to individuals and to persons/entities engaged in construction of houses/flats for residential purposes. The Company carried a vision for the future of Housing in India. And it is always believed at GICHFL that its success and growth depends on its principles that are;

- To be a prominent Corporate Citizen in promoting housing activities through customer friendly finance schemes with in a service oriented atmosphere.
- To consolidate and grow in a competitive environment reflecting the ethical standard of a good corporate citizen.
- To create Wealth and Reward Share holders

The Company was promoted by General Insurance Corporation of India and its erstwhile subsidiaries namely, National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited and United India Insurance Company Limited together with UTI, ICICI, IFCI, HDFC and SBI, all of them contributing to the initial share capital. GICHFL has presence in 23 locations across the country for business. It has got a strong marketing team, which is further assisted by Sales Associates (SAs). It has tie-ups with builders to provide finance to individual borrowers. It also has tie-ups with corporate for various housing finance needs.

PERSONAL LOAN:

With a lot many lenders on the block willing to offer their loan services to all, applying for a loan nowadays, is no longer a problem. Gone are the days

when you had to wait to buy something or go out and do what you wanted to, because a hassle free and available to all personal loan is now no more a dream, but a reality. Today, various loans are available in the market to suit individual needs of the people. In Personal Loans as well, different types of loans are available. They can serve you well in your financial limitations while making your living better. No delay should be done in availing a loan especially when it suits your financial situation and can be available to you in a desired time. Personal Loans are basically of two types:

- Secured Personal Loans
- Unsecured Personal Loans

Secured personal loans can only be obtained by a borrower after keeping an asset such as real estate property, car or jewelry as collateral with the lender. These kinds of loans help the lenders make sure that they will get their money back, and hence they approve and provide the loans for any amount of money with more security. Other than that, the approval of the loan application also depends a lot on the borrower's credit history, his current monetary position, his current employment status and the obtainable equity in the deposited collateral.

Unsecured personal loans are one of its kind loans, which do not ask you for depositing any valuable as security, while serving your financial purpose rightly as well. These loans suit the purpose of those borrowers well who do not want to keep their valuables with someone.

Provide security against it, the personal loans can be used for purchase of house or a car. The personal loans are better for a longer time period. Following are some of the advantages of the personal loans. While

making an evaluation of the cost of the loan one needs to consider the TAR (Total Amount Repayable) which means that the total amount that one owe towards the bank or a lender which also includes the rate of interest on the loan and the payments need to be made on a monthly basis. A suitable deal is where one get a lower TAR.

The maximum amount that one can borrow ranges up to £25,000 and the time period for the refund is up to ten years. The advantage with the personal loan is that when one takes a maximum amount as a loan then one has to pay a lower rate of interest. It is totally different from the terms and conditions for the mortgage. The unsecured personal loans are not protected for your property so if the person is not able to refund the loan then he/she can be rest assured that his/her house is safe. The interest rates for the personal loans are also fixed. This makes it easy for the person to make a planning for the payments that has to be made. The refunding amount also remains stagnant all the way through the time period of the loan.

With a dynamic market scenario of loans the rate of interest has seen so many ups and downs. Now to get a loan it has become simpler than ever before. The financial companies offer loans through their telephone service. They have toll-free numbers and they guide and provide the best deal and offers.

Following are some of the disadvantages of the personal loans: Various financial companies and clever lenders introduce certain plans like-make a purchase and pay it later, offer free gift items, etc. These will only raise price of the loan. So take a wiser decision and go for the basic loan

with favorable terms and conditions. Always make a choice for those loans, which have a low rate of interest and where the terms of the refund are moderate.

A hasty decision should always be avoided in choosing a personal loan. It is not right to take a loan from just another bank. Make a survey and try to find out various offers and plans that various other banks and financial companies have to offer. Now with the Internet things has become very simpler. One can visit various financial companies, what are the offers and plans these companies are offering. Accordingly one can take a decision whichever plan suits you.

The PPI (Payment Protection Insurance) provides you the refund on a monthly basis if one is not able to work, one has met with an accident, in case one has suffered a heavy loss in your business, one is not employed anywhere, and make a payment for loan in case of death. One should be aware of this type of insurance as it is a costly affair and it adds an amount ranging from £1,000 to £5,000.

According to a survey majority of the personal loans are paid off before the completion of their tenure. One needs to look out for those lenders who take heavy amount for the settling of loans before the tenure.

One has to handle the annual percentage rates very carefully as it entirely depends on financial credibility. The person probably might not be eligible as to be entitled for it. One need to have a good credit history otherwise one won't be able to qualify for the lender's potential customer list. Here are few guidelines before taking any concrete decision regarding the personal loans:

- Analyze all the offers and schemes before applying for the loan. There are various lenders who are not real and their motive is just to earn profits.
- To be entitled for a personal loan the procedure followed is rigorous although there is less documentation involved in it.
- Go through the contract thoroughly and reassess the closure price and for any hidden cost (If any). It is an important step, which will only benefit you. If a planning is made for a personal loan then most of the time it is cheaper than getting a credit card. Excluding the consumer durable loans the rate of interest for the personal loans are high.

EDUCATION LOANS:

Educational loans work like any other debt. That is, loans are simply specific money that are borrowed from a bank, a private lender, or some other type of lender. Afterwards, one must repay your debts with interest. However, unlike other types of loans, educational loans are different in several respects:

Different qualification features

Loans created for students recognize the fact that students have not had time to build up credit rating. For this reason, applications for student loans are simpler and more streamlined. The qualifications for such loans are also usually more lenient.

Generous Repayment Terms

Loans designed to help students pursue an education recognize that students should spend their school time studying, not working to repay a loan. For this reason, many loans created for students allow students to pay back their debts very gradually and only after graduating. This means that students can focus on their studies rather than on their loans. In fact, most loans designed for students give students the opportunity to put off repaying their debt until six months after graduation. This gives students a chance to settle down and find a job before repaying their debts.

VARIOUS STUDENT LOANS:

Since there are so many students, each with separate needs, there are a number of loans designed to help students pay for their education. Many of these loans are designed specifically to help students with their unique money issues. There are loans created by private sources, by the government, and by schools. Many feature very low interest rates. Some are need-based and some are not. No matter what a student's financial needs, there is likely a loan available that can help the student meet their educational goals.

Educational loan covers tuition fee, hostel fee, library charge, administrative charges, etc. one can avail of the student loans either to study within the country, or to study abroad. They are available for graduate, post-graduate or professional courses (like engineering, medicine, law etc), and even for less conventional courses like biotechnology, fashion technology, aviation etc. Education loans cover cost of the school/college

fee, hostel expenses, and cost of books and stationery. Apart from this, any other expense required to complete the course can also be considered. Maximum amount of education loan available is upto Rs. 7.50 lakhs in case of studies in India and Rs 15 lakhs for studying abroad. The loan has to be repaid within 84 months in equated monthly instalments (EMIs) commencing 12 months after course completion or 6 months after getting the job, whichever is earlier.

Following documents are required to be submitted with the loan application:

- Mark sheet of last qualifying examination for school and graduate studies in India
- Proof of admission to the course
- Schedule of expenses for the course
- Copies of letter confirming scholarship, etc.
- Copies of foreign exchange permit, if applicable.
- 2 passport size photographs
- Statement of Bank account for the last six months of borrower
- Income tax assessment order not more than 2 years old

Chapter-V

RESEARCH METHODOLOGY

Research always starts with a question or a problem. Its purpose is to find answers to questions through the application of the scientific method. It is a systematic and intensive study directed towards a more complete knowledge of the subject studied. Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. The Advanced Learner's Dictionary of Current English lays down the meaning of research as "a careful investigation or inquiry specially through search for new facts in any branch of knowledge". Redman and Mory define research as a "systematized effort to gain new knowledge". Some people consider research as a movement, a movement from the known to the unknown. It is actually a voyage of discovery. I possess the vital instinct of inquisitiveness for, when the unknown confronts me, I wonder and my inquisitiveness makes me probe and attain full and fuller understanding of the unknown. This inquisitiveness is the mother of all knowledge and the method, which man employs for obtaining the knowledge of whatever the unknown, can be termed as research.

Insurance industry is going through phase of change as per changes taking place in our socio-economic conditions. Social composition is changing, directions & compositions of purchasing capacity, pattern of consumer expenditure, all are changing with market conditions. Saving & investment patterns are also changing with new perception, attitude and values and contribute to build up a welfare society. Search for new facts, ideas in insurance industry needs to be investigated.

Research is an academic activity and as such the term should be used in a technical sense. According to Clifford Woody research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organising and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis. D. Slesinger and M. Stephenson in the Encyclopedia of Social Sciences define research as "the manipulation of things, concepts or symbols for the purpose of generalising to extend, correct or verify knowledge, whether that knowledge aids in construction of theory or in the practice of an art". Research is, thus, an original contribution to the existing stock of Knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through objective and systematic method of finding solution to a problem is research. The systematic approach concerning generalisation and the formulation of a theory is also research. As such the term 'research' refers to the systematic method consisting of enunciating the problem; formulating a hypothesis, collecting the facts or data, analysing the facts and reaching certain conclusions either in the form of solutions(s) towards the concerned problem or in certain generalisations for some theoretical formulation.

Research inculcates scientific and inductive thinking and it promotes the development of logical habits of thinking and organisation.

The role of research in several fields of service sector, whether related to business or to the economy as a whole, has greatly increased in modern times. The increasingly complex nature of business and government has

focused attention on the use of research in solving operational problems. Research, as an aid to economic policy, has gained added importance, both for government and business. Private and state owned insurance sector is taking up new challenges and opportunities.

Research provides the basis for nearly all government policies in our economic system. For instance, government's budgets rest in part on an analysis of the needs and desires of the people and on the availability of revenues to meet these needs. The cost of needs has to be equated to probable revenues and this is a field where research is most needed. Through research, the researcher can devise alternative policies and can as well examine the consequences of each of these alternatives.

Decision-making may not be a part of research, but research certainly facilitates the decisions of the policy maker. Government has also to chalk out programmes for dealing with all facets of the country's existence and most of these will be related directly or indirectly to economic conditions. These conditions keep lot of bearings upon risk management. The plight of workers, the problems of big and small business and industry, working conditions, trade union activities, the problems of distribution, even the size and nature of defence services are matters requiring research. Thus, research is considered necessary with regard to the allocation of nation's resources. Another area in business, where research is necessary, is collecting information on the economic and social structure of the nation. Such information indicates what is happening in the economy and what changes are taking place. Collecting such statistical information is by no means a routine task, but it involves a variety of research problems. These

days nearly all industries maintain large staff of research technicians or experts to carry on this work. Thus, in the context of industrial sector, research as a tool to economic policy has three distinct phases of operation, viz.,

1. Investigation of economic structure through continual compilation of facts;
2. Diagnosis of events that are taking place and the analysis of the forces underlying them; and
3. The prognosis, i.e., the prediction of future developments.

Research has its special significance in solving various operational and planning problems of business and industry. Operations research and market research, along with motivational research, are considered crucial and their results assist, in more than one way, in taking business decisions. Market research is the investigation of the structure and development of a market for the purpose of formulating efficient policies for purchasing, production and sales. The systematic and objective search for an analysis of information relevant to the identification and solution of any problem in the field of marketing is marketing research. Operations research refers to the application of mathematical, logical and analytical techniques to the solution of business problems of cost minimisation or of profit maximisation or what can be termed as optimisation problems. Motivational research of determining why people behave as they do is mainly concerned with market characteristics. In other words, it is concerned with the determination of motivations underlying the consumer (market) behaviour. All these are of great help to people in business and industry who are responsible for taking

business decisions. Research with regard to demand and market factors has great utility in business. Given knowledge of future demand, it is generally not difficult for a firm, or for an industry to adjust its supply schedule within the limits of its projected capacity. Market analysis has become an integral tool of business policy these days. Business budgeting, which ultimately results in a projected profit and loss account, is based mainly on sales estimates, which in turn depends on business research. Once sales forecasting is done, efficient production and investment programmes can be set up around which are grouped the purchasing and financing plans. Research, thus, replaces intuitive business decisions by more logical and scientific decisions.

Research is equally important for social scientists in studying social relationships and in seeking answers to various social problems. It provides the intellectual satisfaction of knowing a few things just for the sake of knowledge and also has practical utility for the social scientist to know for the sake of being able to do something better or in a more efficient manner. Research in social sciences is concerned both with knowledge for its own sake and with knowledge for what it can contribute to practical concerns. "This double emphasis is perhaps especially appropriate in the case of social science. On the one hand, its responsibility as a science is to develop a body of principles that make possible the understanding and prediction of the whole range of human interactions. On the other hand, because of its social orientation, it is increasingly being looked to for practical guidance in solving immediate problems of human relations. Social behaviour of a human being with a large thinking brain is a complex resultant of

interaction of variety of factors, organismic or genetic, environmental, situational etc, hence difficult to measure objectively, free scientific methods aim to quantify data, collect data with adequate tools and research designs and analysed data with more refined statistical with techniques and interpret or make inferences as far as accurately as possible to reach the truth, 'control' is the keyword in research. Insurance industry relates with social factors, social values and social problems. Variety of societal issues are needed to be observed, carefully analysed and interpret in the way desired to be treated.

In addition to what has been stated above, the significance of research can also be understood keeping in view the following points:

- To those researchers who are to write a master's or Ph.D. thesis, research may mean a careerism or a way to attain a high position in the social structure;
- To professionals in research methodology, research may mean a source of livelihood;
- To philosophers and thinkers, research may mean the outlet for new ideas and insights;
- To literary men and women, research may mean the development of new styles and creative work;
- To analysts and intellectuals, research may mean the generalisations of new theories.

Thus, research is taken as the fountain of knowledge for the sake of knowledge and an important source of providing guidelines for solving different business, governmental and social problems. It is a sort of formal

training, which enables one to understand the new developments in one's field in a better way.

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology. Researchers not only need to know how to develop certain indices or tests, how to calculate the mean, the mode, the median or the standard deviation or chi-square, how to apply particular research techniques, but they also need to know which of these methods or techniques, are relevant and which are not, and what would they mean and indicate and why. Researchers also need to understand the assumptions underlying various techniques and they need to know the criteria by which they can decide that certain techniques and procedures will be applicable to certain problems and others will not. All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem.

Thus, when there is a talk of research methodology it is not only talk of the research methods but also consideration is done of the logic behind the methods we use in the context of research study and explain why we are using a particular method or technique and why it is not being used by others so that research results are capable of being evaluated either by the researcher himself or by others. Why a research study has been undertaken, how the research problem has been defined, in what way and why the

hypothesis has been formulated, what data have been collected and what particular method has been adopted, why particular technique of analysing data has been used and a host of similar other questions are usually answered when there is talk of research methodology concerning a research problem or study.

RESEARCH PROCESS:

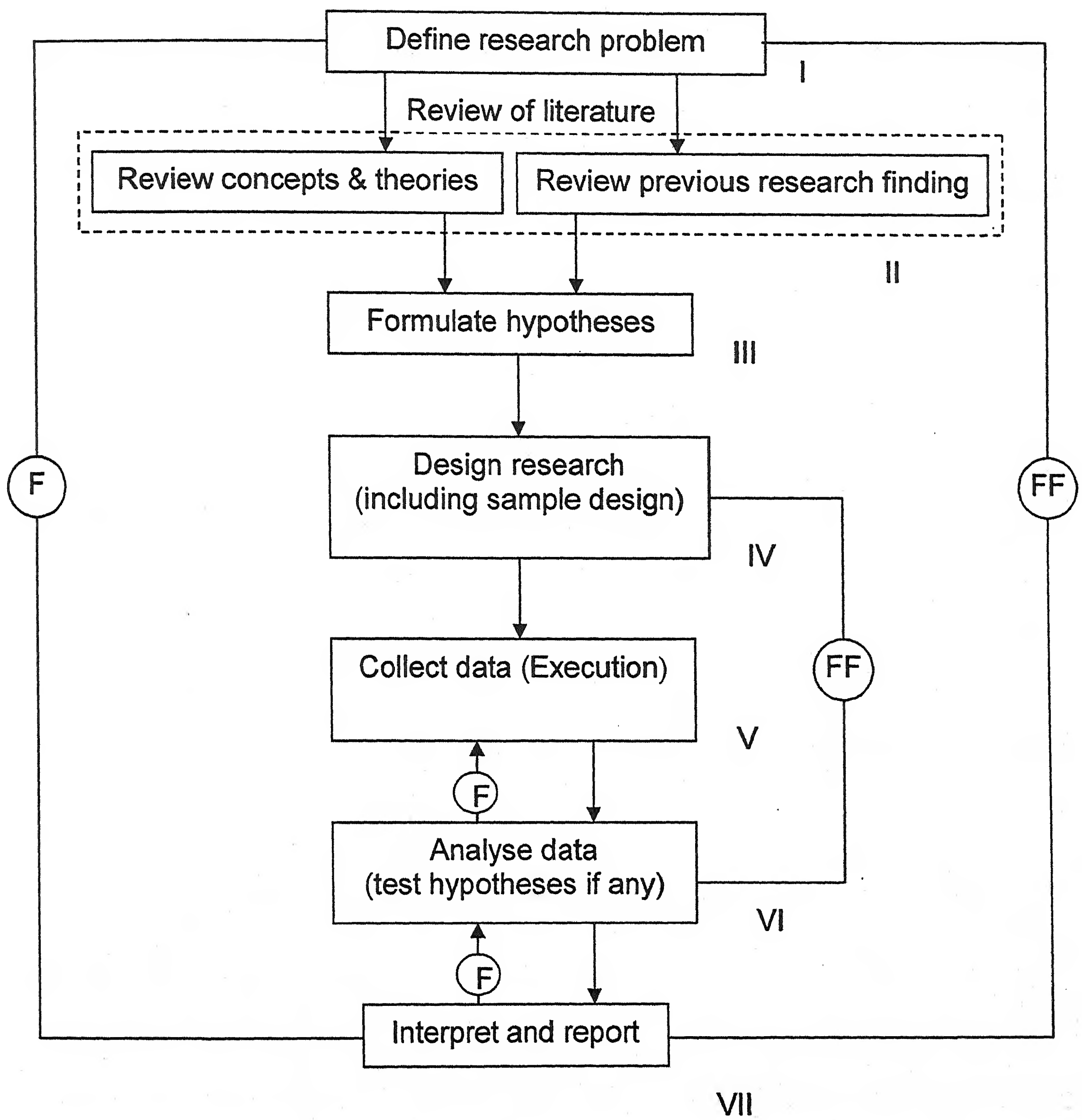
Before embarking on the details of research methodology and techniques, it seems appropriate to present a brief overview of the research process. Research process consists of series of actions or steps necessary to effectively carry out research and the desired sequencing of these steps. The chart shown in Figure well illustrates a research process.

The chart given on next page indicates that the research process consists of a number of closely related activities, as shown through I to VII. But such activities overlap continuously rather than following a strictly prescribed sequence. At times, the first step determines the nature of the last step to be undertaken. If subsequent procedures have not been taken into account in the early stages, serious difficulties may arise which may even prevent the completion of the study. One should remember that the various steps involved in a research process are not mutually exclusive; nor they are separate and distinct. They do not necessarily follow each other in any specific order and the researcher has to be constantly anticipating, at each step in the research process the requirements of the subsequent steps.

Insurance industry deals intangible products and always takes up customer driven issues and aspects. Research in this industry needs careful

understanding and analysis of all the relevant issues related to consumer responsiveness.

Research process in flow chart



Where (F) = feed back (Helps in controlling the sub-system to which it is transmitted)

(FF) = feed forward (serves the vital function of providing criteria for evaluation)

RESEARCH PROBLEM:

In research process, the first and foremost step happens to be that of selecting and properly defining a research problem. A researcher must find the problem and formulate it so that it becomes susceptible to research. Like a medical doctor, a researcher must examine all the symptoms (presented to him or observed by him) concerning it problem before he can diagnose correctly. To define a problem correctly, a researcher must know: what a problem is? To notice trend in insurance industry various factors related to society, disposable income, saving and investment pattern, safety, risk etc. are to be observed and studied at micro level. A research problem, in general, refers to some difficulty, which a researcher experiences in the context of either a theoretical or practical situation and wants to obtain a solution for the same. Usually it is said that a research problem does exist if the following conditions are met with:

There must be an individual (or a group or an organisation), let it is 'I', to whom the problem can be attributed. The individual or the organisation, as the case may be, occupies an environment, say 'N', which is defined by values of the uncontrolled variables, Y_j.

There must be at least two courses of action, say C_1 and C_2, to be pursued. A course of action is defined by one or more values of the controlled variables. For example, the number of items purchased at a specified time is said to be one course of action.

There must be at least two possible outcomes, say O_1 and O_2 of the course of action, of which one should be preferable to the other. In other

words, this means that there must be at least one outcome that the researcher wants, i.e., an objective.

The courses of action available must provide some chance of obtaining the objective, but they cannot provide the same chance, otherwise the choice would not matter. Thus, if P (O_j\I, C_j, N) represents the probability that an outcome O_j will occur, if I select C_j in N, then P (O_1\I, C_1, N) ≠ P (O_1\I, C_2, N). In simple words, one can say that the choices must have unequal efficiencies for the desired outcomes. Over and above these conditions, the individual or the organisation can be said to have the problem only if 'I' do not know what course of action is best, i.e., 'I', must be in doubt about the solution. Thus, an individual or a group of persons can be said to have a problem which can be technically described as a research problem, if they (individual or the group), having one or more desired outcomes, are confronted with two or more courses of action that have some but not equal efficiency for the desired objective(s) and are in doubt about which course of action is best.

The components of a research problem are stated as under:

- There must be an individual or a group, which has some difficulty or the problem.
- There must be some objective(s) to be attained at. If one wants nothing, one cannot have a problem.
- There must be alternative means (or the courses of action) for obtaining the objective(s) one wishes to attain. This means that there must be at least two means available to a researcher for if he has no choice of means, he cannot have a problem.

- There must remain some doubt in the mind of a researcher with regard to the selection of alternatives. This means that research must answer the question concerning the relative efficiency of the possible alternatives.
- There must be some environment(s) to which the difficulty pertains.

Thus, a research problem is one, which requires a researcher to find out the best solution for the given problem, i.e., to find out by which course of action the objective can be attained optimally in the context of a given environment. There are several factors, which may result in making the problem complicated. For instance, the environment may change affecting the efficiencies of the courses of action or the values of the outcomes; the number of alternative courses of action may be very large; persons not involved in making the decision may be affected by it and react to it favourably or unfavourably, and similar other factors. All such elements (or at least the important ones) may be thought of in context of a research problem. I thought constructively to take up the current problem related to insurance sector and its social aspects, in context of related issues keeping basic character of research problem intact.

Defining a research problem properly and clearly is a crucial part of a research study and must in no case be accomplished hurriedly. However, in practice this a frequently overlooked which causes a lot of problems later on. Hence, the research problem should be defined in a systematic manner, giving due weightage to all relating points. The technique for the purpose involves the undertaking of the following steps generally one after the other

(i) Statement of the problem in a general way;

(ii) Understanding the nature of the problem;

(iii) Surveying the available literature

(iv) Developing the ideas through discussions; and

(v) Rephrasing the research problem into a working proposition.

A brief description of all these points will be helpful for understanding the issues and focus of study related to insurance sector.

(i) Statement of the problem in a general way: First of all the problem is to be stated in a broad general way, keeping in view either some practical concern or some scientific or intellectual interest. For this purpose, I immersed myself thoroughly in the subject matter concerning with service sector like insurance. In case of social research, it is considered advisable to do some field observation and as such I undertook some sort of preliminary survey or what is often called pilot survey. Then I attempted to state the problem and sought the guidance of my guide or the subject expert in accomplishing this task. Often, the guide puts forth the problem in general terms, and it is then up to the researcher to narrow it down and phrase the problem in operational terms. In case there is some directive from an organisational authority, the problem then can be stated accordingly. The problem stated in a broad general way may contain various ambiguities, which must be resolved by cool thinking and rethinking over the problem. At the same time the feasibility of a particular solution has to be considered and the same should be kept in view while stating the problem.

(ii) The next step in defining the problem is to understand its origin and nature clearly. The best way of understanding the problem is to discuss it with those who first raised it in order to find out how the problem originally came about and with what objectives in view. If the researcher has stated the problem himself, he should consider once again all those points that induced him to make a general statement concerning the problem. For a better understanding of the nature of the problem involved, I entered into discussion with my supervisor who has a good knowledge of the problem concerned and similar other problems. The researcher should also keep in view the environment within which the problem is to be studied and understood.

(iii) All available literature concerning the problem at hand must necessarily be surveyed and examined before a stating of the research problem. This means that the researcher must be well-conversant with relevant theories in the field, reports and records as also all other relevant literature. I devoted sufficient time in reviewing of research already undertaken on related problems. This was done to find out what data and other materials are available for operational purposes. "Knowing what data are available often serves to narrow the problem itself as well as the technique that might be used". This also helps a researcher to know if there are certain gaps in the theories, or whether the existing theories applicable to the problem under study are inconsistent with each other, or whether the findings of the different studies do not follow

a pattern consistent with the theoretical expectations and so on. All this enabled me to take new strides in the field for furtherance of knowledge i.e., move up starting from the existing premise. Studies on related problems are useful for indicating the type of difficulties that may be encountered in the present study as also the possible analytical shortcomings. At times such studies may also suggest useful and even new lines of approach to the present problem.

(iv) Discussion concerning a problem often produces useful information. Various new ideas are developed through such an exercise. Discussed problem with my colleagues and others who have enough experience in the same area or in working on similar problems. This is quite often known as an experience survey. People with rich experience are in a position to enlighten the researcher on different aspects of his proposed study and their advice and comments are usually invaluable to the researcher. They help him sharpen his focus of attention on specific aspects within the field. Discussions with such persons should not only be confined to the formulation of the specific problem at hand, but should also be concerned with the general approach to the given problem, techniques that might be used, possible solutions, etc.

(v) Finally, I rephrased the research problem into a working proposition. Once the nature of the problem has been clearly understood, the environment (within which the problem has got to be studied) is to be defined, discussions over the problem took place and the available literature was surveyed and examined.

Rephrasing the problem into analytical or operational terms is not a difficult task. Through rephrasing, the researcher puts the research problem in as specific terms as possible so that it may become operationally viable and may help in the development of working hypotheses. In addition to what has been stated above, the following points were observed while defining the research problem:

Technical terms and words or phrases, with special meanings used in the statement of the problem. Basic assumptions or postulates relating to the research problem.

- A straight forward statement of the value of the investigation (i.e., the criteria for the selection of the problem).
- The suitability of the time-period and the sources of data available.
- The scope of the investigation or the limits within which the problem is to be studied. I discussed, thought and analysed each and every aspect related to my research area and topic.

RESEARCH DESIGN:

Preparation of the design of the research project is known as the "research design". Decisions regarding what, where, when, how much, by what means concerning an inquiry or a research study constitute a research design. "A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure". In fact, the research design is the Conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. As such the design

includes an outline of what the research will do from writing the hypothesis and its operational implications to the final analysis of data.

Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money. Just as for better, economical and attractive construction of a house, a blueprint is needed (or what is commonly called the map of the house) well thought out and prepared by an expert architect, similarly a research design or a plan in advance of data collection and analysis for the research project. Research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. Preparation of the research design is done with great care as any error in it may upset the entire project. Research design, in fact, has a great bearing on the reliability of the results arrived at and as such constitutes the firm foundation of the entire edifice of the research work.

Even then the need for a well thought out research design is at times not realised by many. The importance which this problem deserves is not given to it. As a result many researches do not serve the purpose for which they are undertaken. In fact, they may even give misleading conclusions. I gave thoughtfulness in designing the research project to the extent possible to desire fruitful results. It is, therefore, imperative to prepare an efficient and appropriate design before starting research operations. The design helped me to organize ideas in a form whereby it became possible for me to

look for flaws and inadequacies. Such a design can even give chance to others for their comments and critical evaluation. In the absence of such a course of action, it will be difficult for the critic to provide a comprehensive review of the proposed study. I detailed the points, process and methods to make clear real objectives of my research pertaining to insurance sector. I included sufficient companies.

SAMPLING DESIGN:

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e., the size of the sample. Sample design is determined before data are collected. There are many sample designs from which a researcher can choose. Some designs are relatively more precise and easier to apply than others. Researcher must select/prepare a sample design which should be reliable and appropriate for his research study.

I selected and picked up government owned private and foreign insurance companies for necessary details dimensions and trend of their business.

METHODS OF DATA COLLECTION:

The task of data collection begins after a research problem has been defined and research design/plan chalked out. While deciding about the method of data collection to be used for the study, the researcher should keep in mind

two types of data viz., primary and secondary. The primary data are those, which are collected afresh and for the first time, and thus happen to be original in character. The secondary data, on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process. The researcher decides which sort of data he would be using (thus collecting) for his study and accordingly he will have to select one or the other method of data collection. The methods of collecting primary and secondary data differ since primary data are to be originally collected, while in case of secondary data the nature of data collection work is merely that of compilation. The different methods of data collection, with the pros and cons of each method are given. I preferred secondary data as per nature of research and availability of data.

Secondary data means data that are already available i.e., they refer to the data, which have already been collected and analysed by someone else. When the researcher utilises secondary data, then he has to look into various sources' from where he can obtain them. In this case he is certainly not confronted with the problems that are usually associated with the collection of original data. Secondary data may either be published data or unpublished data. Usually published data are available in:

(a) Various publications of the central, state are local governments;

(b) Various publications of foreign governments or of international bodies and their subsidiary organisations;

(c) Technical and trade journals;

(d) Books, magazines and newspapers;

(e) Reports and publications of various associations connected with business and industry, banks, stock exchanges, etc.;

(f) Reports prepared by research scholars, universities, economists, etc. in different fields; and

(g) Public records and statistics, historical documents, and other sources of published information. The sources of unpublished data are many; they may be found in diaries, letters, unpublished biographies and autobiographies and also may be available with scholars and research workers, trade associations, labour bureaus and other public/private individuals and organisations.

I was very careful in using secondary data. I made a minute scrutiny because it is just possible that the secondary data may be unsuitable or may be inadequate in the context of the problem. In this connection Dr. A.L. Bowley very aptly observes that it is never safe to take published statistics at their face value without knowing their meaning and limitations and it is always necessary to criticise arguments that can be based on them.

ANALYSIS OF DATA:

The data, after collection, has to be processed and analysed in accordance with the outline laid down for the purpose at the time of developing the research plan. This is essential for a scientific study and for ensuring that one keeps all relevant data for making contemplated comparisons and analysis. Technically speaking, processing implies editing, coding, classification and tabulation of collected data so that they are amenable to analysis. The term analysis refers to the computation of certain measures

along with searching for patterns of relationship that exist among data-groups. Thus, "in the process of analysis, relationships or differences supporting or conflicting with original or new hypotheses is subjected to statistical tests of significance to determine with what validity data can be said to indicate any conclusions". But there are persons (Selltiz, Jahoda and others) who do not like to make difference between processing and analysis. They opine that analysis of data in a general way involves a number of closely related operations, which are performed with the purpose of summarising the collected data and organising these in such a manner that they answer the research question(s). I preferred to observe the difference between the two terms as stated here in order to understand their implications more clearly.

ELEMENTS OF ANALYSIS:

Analysis means the computation of certain indices or measures along with searching for patterns of relationship that exist among the data groups. Analysis, particularly in case of surveyor experimental data, involves estimating the values of unknown parameters of the population and testing of hypotheses for drawing inferences. Analysis may, therefore, be categorised as descriptive analysis and inferential analysis (Inferential analysis is often known as statistical analysis). "Descriptive analysis is largely the study of distributions of one variable. This study provides with profiles of companies, work groups, persons and other subjects on any of a multiple of characteristics such as size. Composition, efficiency, preferences, etc. This sort of analysis may be in respect of one variable (described as

unidimensional analysis), or in respect of two variables (described as bivariate analysis) or in respect of more than two variables (described as multivariate analysis). In this context I took out various measures that show the size and shape of a distribution(s) along with the study of measuring relationships between two or more variables as correlation analysis and causal analysis. Correlation analysis studies the joint variation of two or more variables for determining the amount of correlation between two or more variables. Causal analysis is concerned with the study of how one or more variables affect changes in another variable. The present research is thus a study of functional relationships existing between two or more variables. This analysis can be termed as regression analysis. Causal analysis is considered relatively more important in experimental researches, whereas in most social and business researches the interest lies in understanding and controlling relationships between variables then with determining causes per se and as such one consider correlation analysis as relatively more important.

In modem times, with the availability of computer facilities, there has been a rapid development of multivariate analysis, which may be defined as "all statistical methods, which simultaneously analyse more than two variables on a sample of observations". Usually the following analyses are involved when a reference of multivariate analysis is made:

(a) Multiple regression analysis: This analysis is adopted when the researcher has one dependent variable, which is presumed to be a function of two or more independent variables. The objective of this analysis is to make a prediction about the dependent variable

based on its covariance with all the concerned independent variables.

(b) Multiple discriminant analysis: This analysis is appropriate when the researcher has a single dependent variable that cannot be measured, but can be classified into two or more groups on the basis of some attribute. The object of this analysis happens to be to predict an entity's possibility of belonging to a particular group based on several predictor variables.

(c) Multivariate analysis of variance (or multi-ANOVA): This analysis is an extension of two way ANOVA, wherein the ratio of among group variance to within group variance is worked out on a set of variables.

(d) Canonical analysis: This analysis can be used in case of both measurable and non-measurable variables for the purpose of simultaneously predicting a set of dependent variables from their joint covariance with a set of independent variables. Inferential analysis is concerned with the various tests of significance for testing hypotheses in order to determine with what validity data can be said to indicate some conclusion or conclusions. It is also concerned with the estimation of population values. It is mainly on the basis of inferential analysis that the task of interpretation (i.e., the task of drawing inferences and conclusions) is performed.

STATISTICS IN RESEARCH:

The role of statistics in research is to function as a tool in designing research, analysing its data and drawing conclusions therefrom. The present research studies result in a large volume of raw data, which needs to be suitably reduced so that the same can be read easily and can be used for further analysis. Clearly the science of statistics cannot be ignored by any research worker, even though he may not have occasion to use statistical methods in all their details and ramifications. Classification and tabulation, as stated earlier, achieve this objective to some extent, I took a step further and develop certain indices or measures to summarise the collected/classified data. Only after this the process of generalisation can be adopted from small groups (i.e., samples) to population. If fact in this research there are two major areas of statistics viz., descriptive statistics and inferential statistics. Descriptive statistics concern the development of certain indices from the raw data, whereas inferential statistics concern with the process of generalisation. Inferential statistics are also known as sampling statistics and are mainly concerned with two major type of problems: (i) the estimation of population parameters, and (ii) the testing of statistical hypotheses.

The important statistical measures that are used to summarise the survey/research data are: (1) measures of central tendency or statistical averages; (2) measures of dispersion; (3) measures of asymmetry; (4) measures of relationship; and (5) other measures.

Amongst the measures of central tendency, the three most important ones are the arithmetic average or mean, median and mode. From among

the measures of dispersion, variance, and its square root-the standard deviation are the most often used measures. Other measures such as mean deviation, range, etc. are also used. For comparison purpose, we use mostly the coefficient of standard deviation or the coefficient of variation are used.

In respect of the measures of skewness and kurtosis, mostly using of the first measure of skewness based on mean and mode or on mean and median. Other measures of skewness, based on quartiles or on the methods of moments, are also used sometimes. Kurtosis is also used to measure the peakedness of the curve of the frequency distribution.

Amongst the measures of relationship, Karl Pearson's coefficient of correlation is used to measure in case of statistics of variables, whereas Yule's coefficient of association is used in case of statistics of attributes. Multiple correlation coefficient, partial correlation coefficient, regression analysis, etc., are other important measures often used.

A brief outline of some important measures is given in the context of research studies.

FORMULATION OF HYPOTHESIS:

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate object of testing hypotheses. Decision-makers often face situations wherein they are interested in testing hypotheses on the basis of available information and then take decisions on the basis of such testing. In social science, where direct knowledge of population parameter(s) is rare, hypothesis testing is the

often used strategy for deciding whether a sample data offer such support for a hypothesis that generalisation can be made. Thus hypothesis testing enables the researcher to make probability statements about population parameter(s). The hypothesis may not be proved absolutely, but in practice it is accepted if it has withstood a critical testing. Before we explain how hypotheses are tested through different tests meant for the purpose, it will be appropriate to explain clearly the meaning of a hypothesis and the related concepts for better understanding of the hypothesis testing techniques.

In the context of statistical analysis, one often talks about null hypothesis and alternative hypothesis. If it is to compare method A with method B about its superiority and if one proceeds on the assumption that both methods are equally good, then this assumption is termed as the null hypothesis. As against this, if one may thinks that the method A is superior or the method B is inferior, one is stating what is termed as alternative hypothesis. The null hypothesis is generally symbolized as H_o and the alternative hypothesis as H_a. Suppose I want to test the hypothesis that the population mean (μ) is equal to the hypothesised mean (μH_o) = 100. Then I would say that the null hypothesis is that the population mean is equal to the hypothesised mean 100 and symbolically it is expressed as:

$$H_o : \mu = \mu H_o = 100$$

If sample results do not support this null hypothesis, it is concluded that something else is true. It is concluded rejecting the null hypothesis is known as alternative hypothesis. In other words, the set of alternatives to the null hypothesis is referred to as the alternative hypothesis. If it is to accept H_o, then one is rejecting H_a and if it is to reject H_o, then one is accepting Ha. For

$H_o : \mu = \mu H_o = 100$, one may consider three possible alternative hypotheses as follows:

Alternative hypothesis	To be read as follows
$H_a : \mu \neq \mu H_o$	(The alternative hypothesis is that the population mean is not equal to 100 i.e., it may be more or less than 100)
$H_a : \mu > \mu H_o$	(The alternative hypothesis is that the population mean is greater than 100)
$H_a : \mu < \mu H_o$	(The alternative hypothesis is that the population mean is less than 100)

The null hypothesis and the alternative hypothesis are chosen before the sample is drawn. In the choice of null hypothesis, the following considerations are usually kept in view:

(a) Alternative hypothesis is usually the one which one wishes to prove and the null hypothesis is the one which one wishes to disprove. Thus, a null hypothesis represents the hypothesis we are trying to reject, and alternative hypothesis represents all other possibilities.

(b) If the rejection of a certain hypothesis when it is actually true involves great risk, it is taken as null hypothesis because then the probability of rejecting it when it is true is a (the level of significance) which is chosen very small.

Null hypothesis should always be specific hypothesis i.e., it should not state about or approximately a certain value. Generally, in hypothesis testing the researcher proceeds on the basis of null hypothesis, keeping the alternative hypothesis in view. It is on the assumption that null hypothesis is true, one

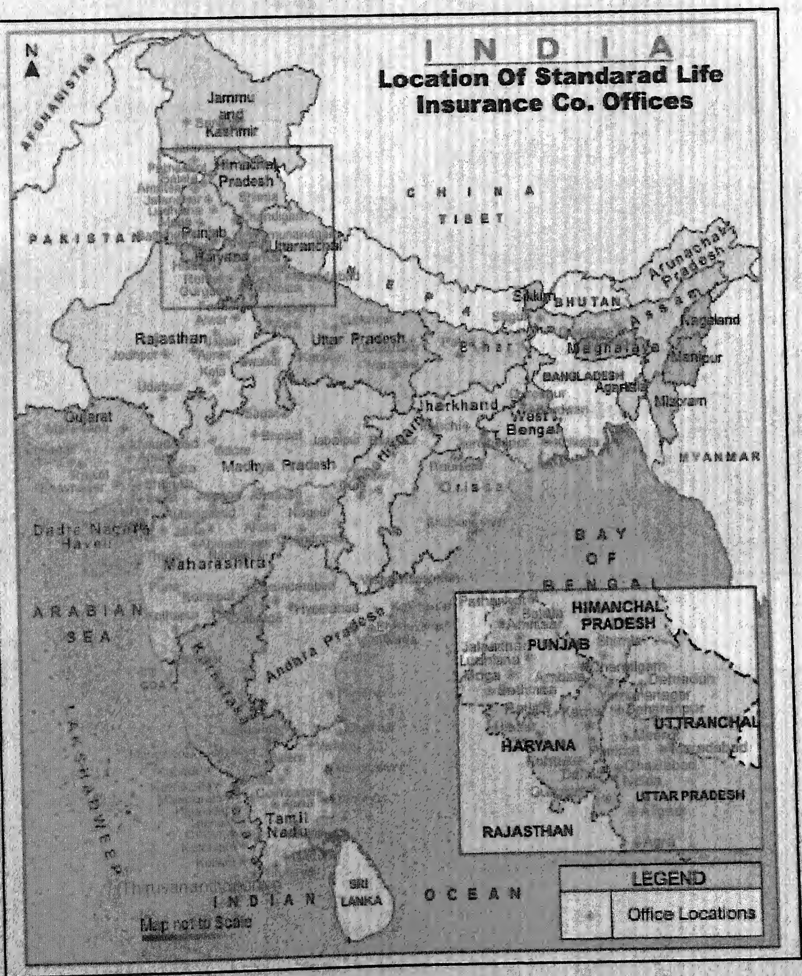
can assign the probabilities to different possible sample results, but this cannot be done if one proceeds with the alternative hypothesis. Hence the use of null hypothesis (at times also known as statistical hypothesis) is quite frequent. The level of significance is a very important concept in the context of hypothesis testing. It is always some percentage (usually 5%), which should be chosen with great care, thought and reason. In case one takes the significance level at 5 per cent, then this implies that H_o will be rejected when the sampling result (i.e., observed evidence) has a less than 0.05 probability of occurring if H_o is true. "In other words, the 5 per cent level of significance means that researcher is willing to take as much as a 5 per cent risk of rejecting the null hypothesis when it (H_o) happens to be true. Thus the significance level is the maximum value of the probability of rejecting Ho when it is true and is usually determined in advance before testing the hypothesis.

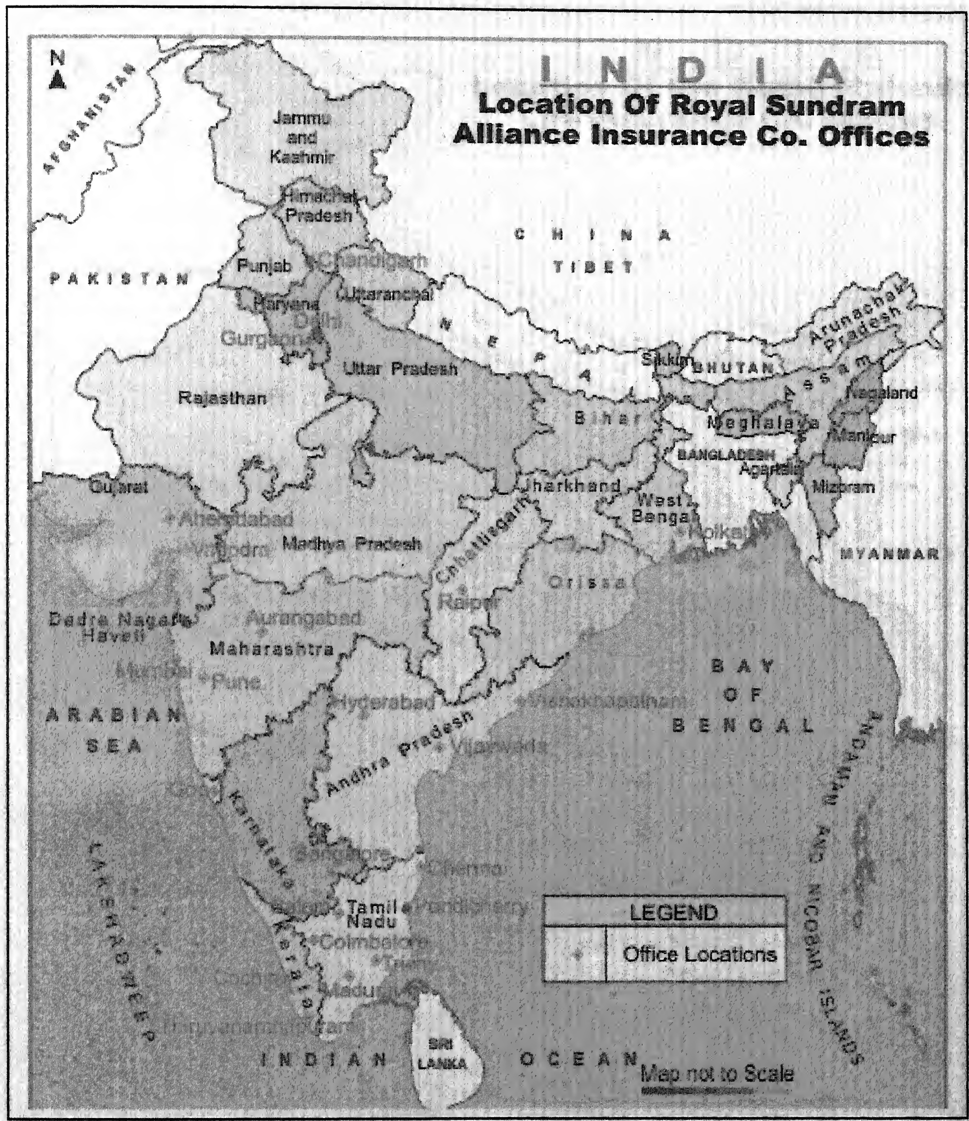
Given a hypothesis H_o and an alternative hypothesis H_a one makes a rule which is known as decision rule according to which one accepts H_o (i.e., reject H_a) or reject H_o (i.e., accept H_a). For instance, if (H_o is that a certain lot is good (there are very few defective items in it) against H_a) that the lot is not good (there are too many defective items in it), then one decides the number of items to be tested and the criterion for accepting or rejecting the hypothesis. The researcher tests 10 items in the lot and plan decision saying that if there are none or only 1 defective item among the 10, he will accept H_o otherwise he will reject H_o (or accept H_a). This sort of basis is taken as decision rule.

Chapter-VI

COUNTRY WIDE NETWORKING OF BRANCHES

We live in the information age. People are becoming more aware of the importance of insurance in their life. However, there is a paradox in the form of a growing need to educate people to buy insurance. Today natural disasters on a large scale occur regularly and even terrorism is increasing day by day. Specialised software is used in actuarial science to accurately predict life expectancy and mortality. But natural disasters are difficult to predict. This has highlighted to the world that insurance is a basic and fundamental need for the safety and security of the family. Only a larger insurance cover can guarantee a better future.However insurance claims for natural disasters are very low. This is because insurance coverage was too low, and those who really needed insurance had not taken it. There is need to push insurance as a social responsibility for those who really need it.





INDIA
Location Of Royal Sundram Alliance Insurance Co. Offices
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Jharkhand
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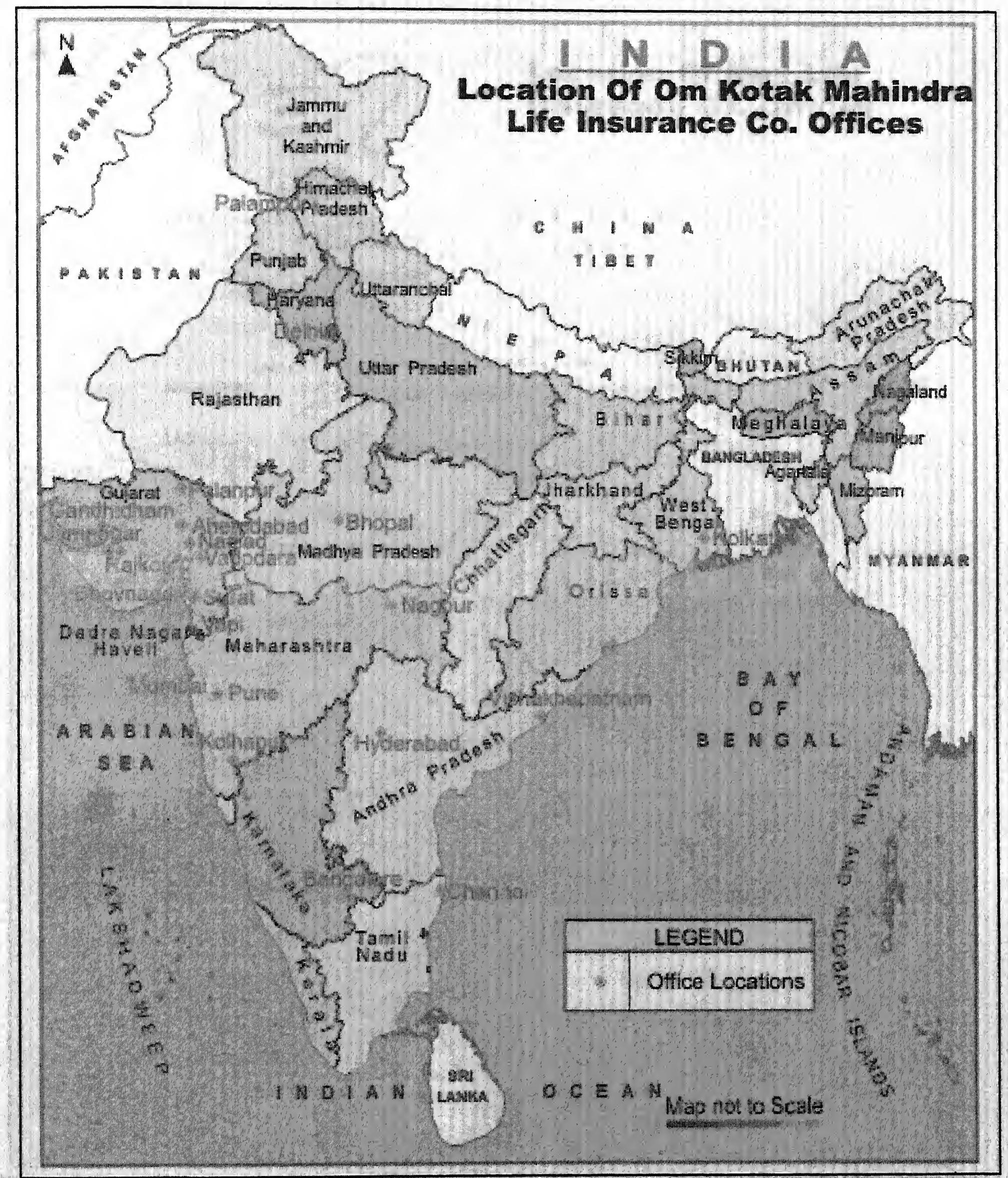
Office Locations
Map not to Scale


I N D I A
Location Of Om Kotak Mahindra
Life Insurance Co. Offices
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Jammu and Kashmir
Himachal Pradesh
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Uttaranchal
Delhi
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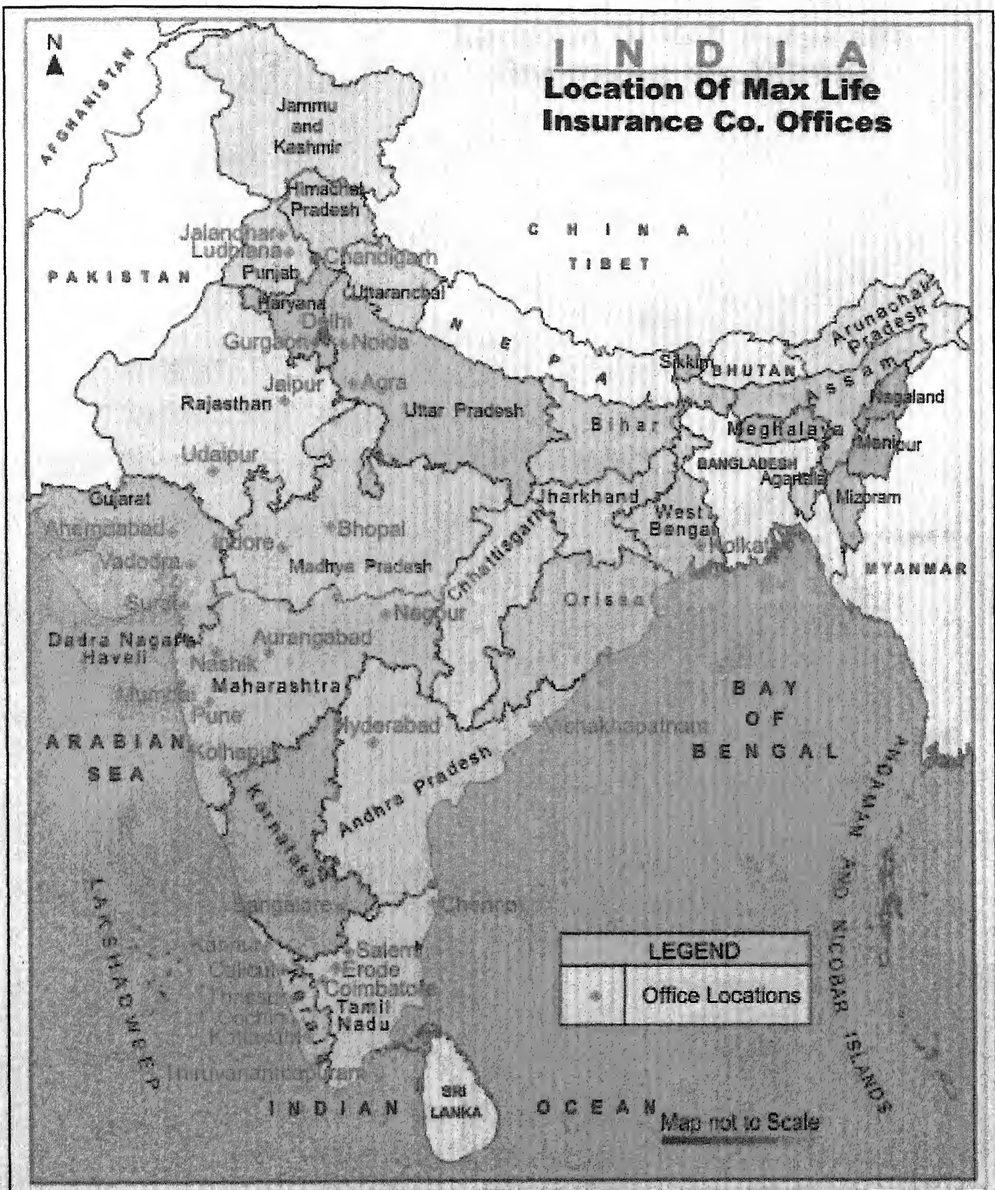
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Location Of Max Life
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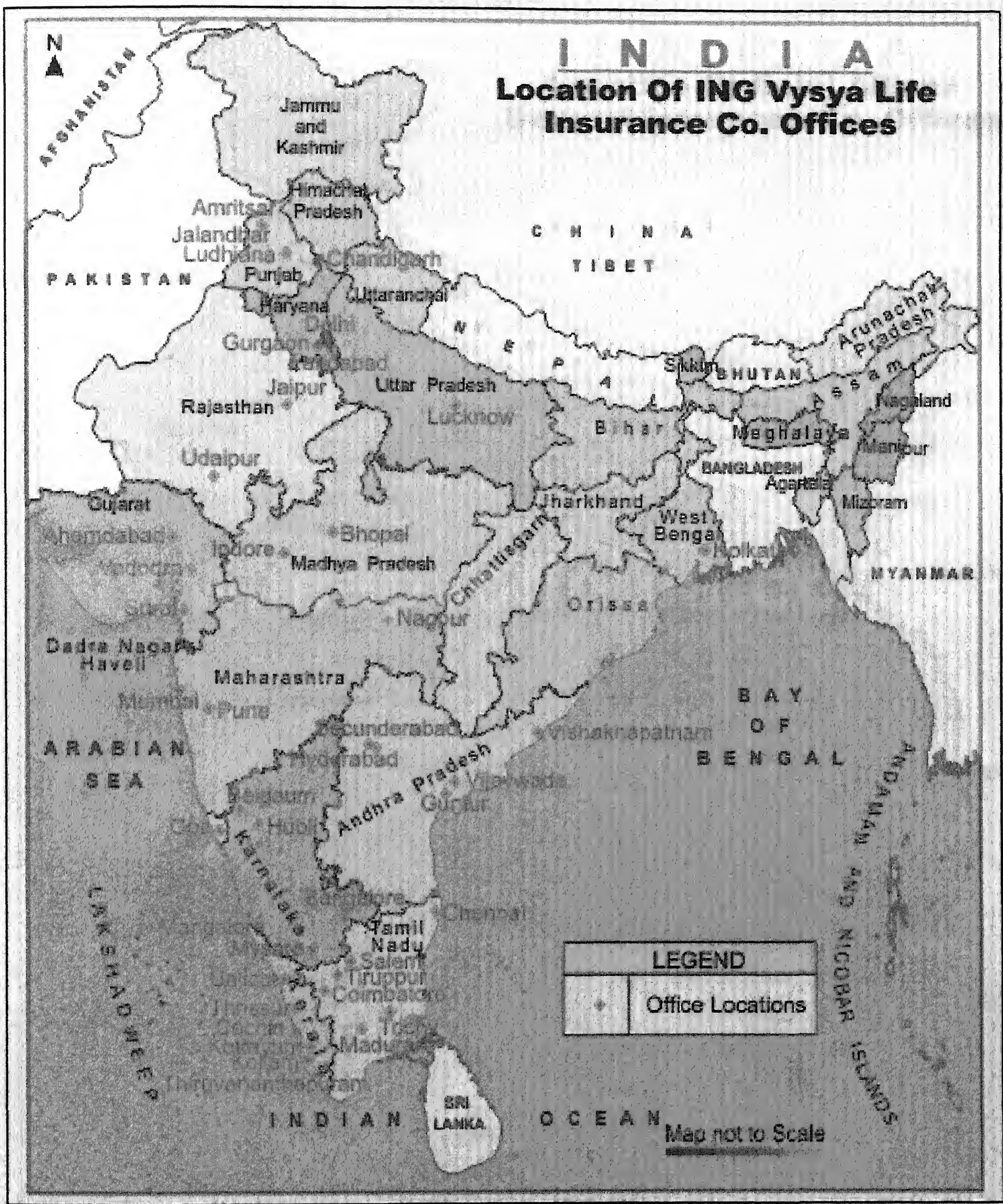
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Location Of ING Vysya Life Insurance Co. Offices
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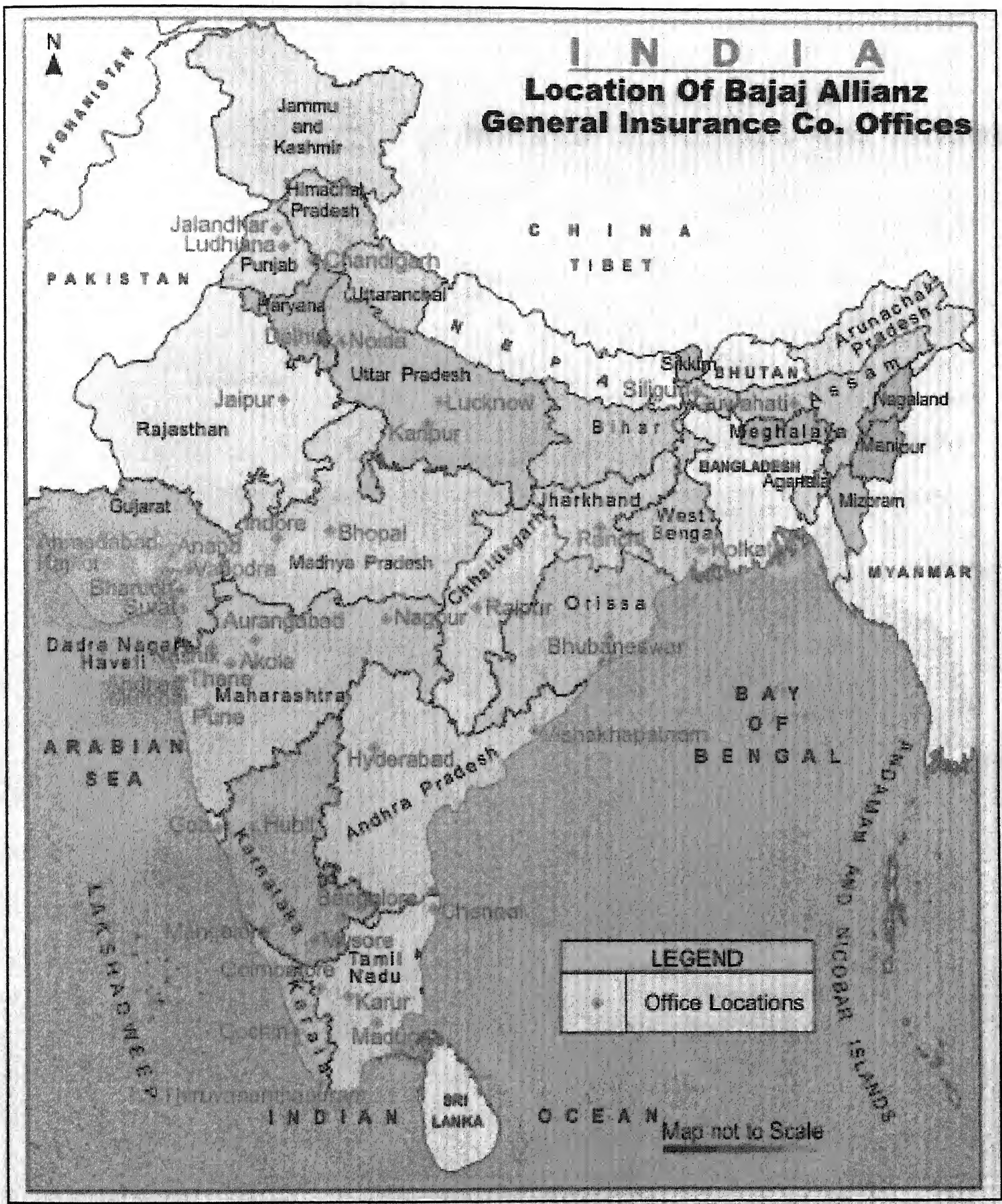
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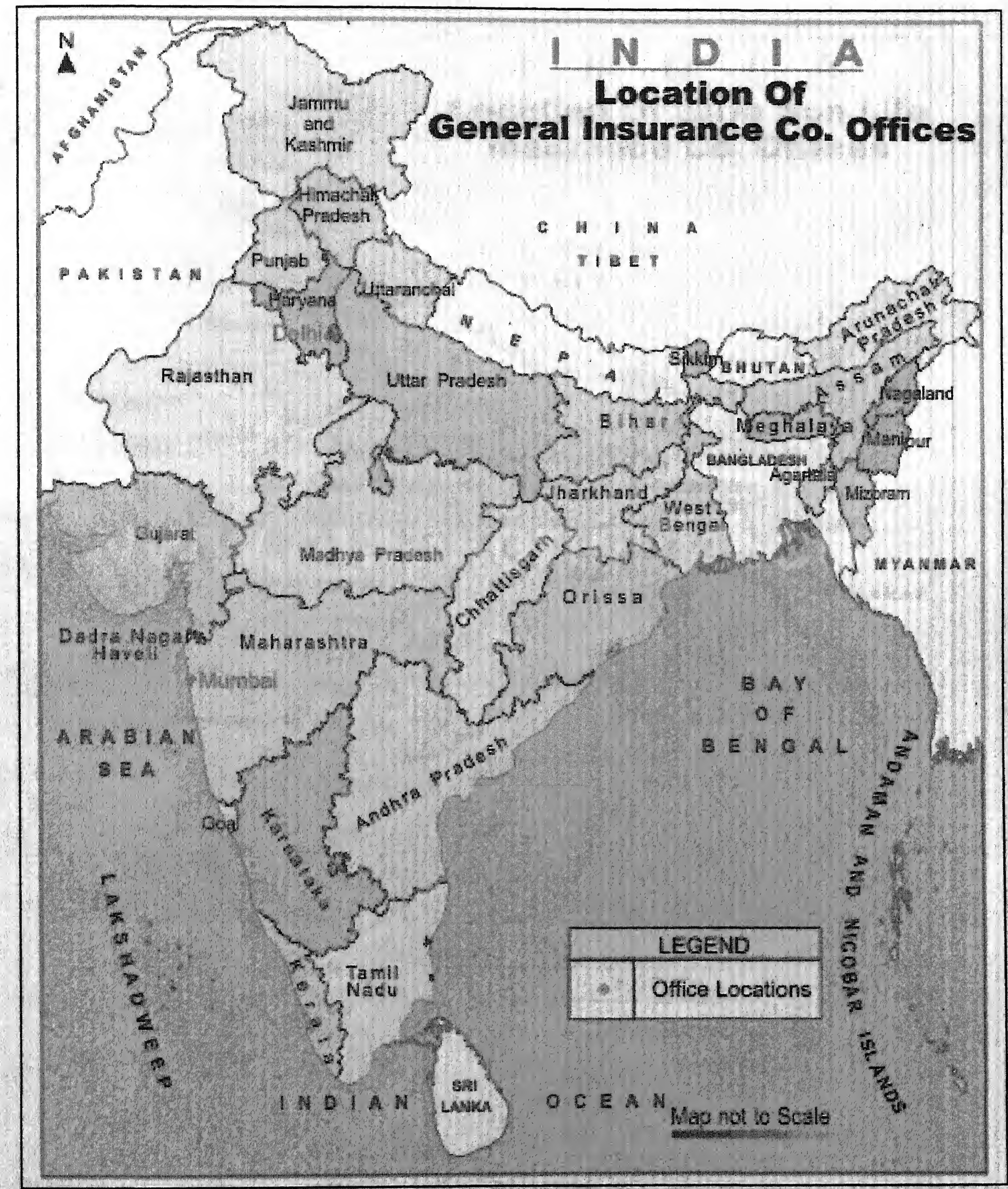
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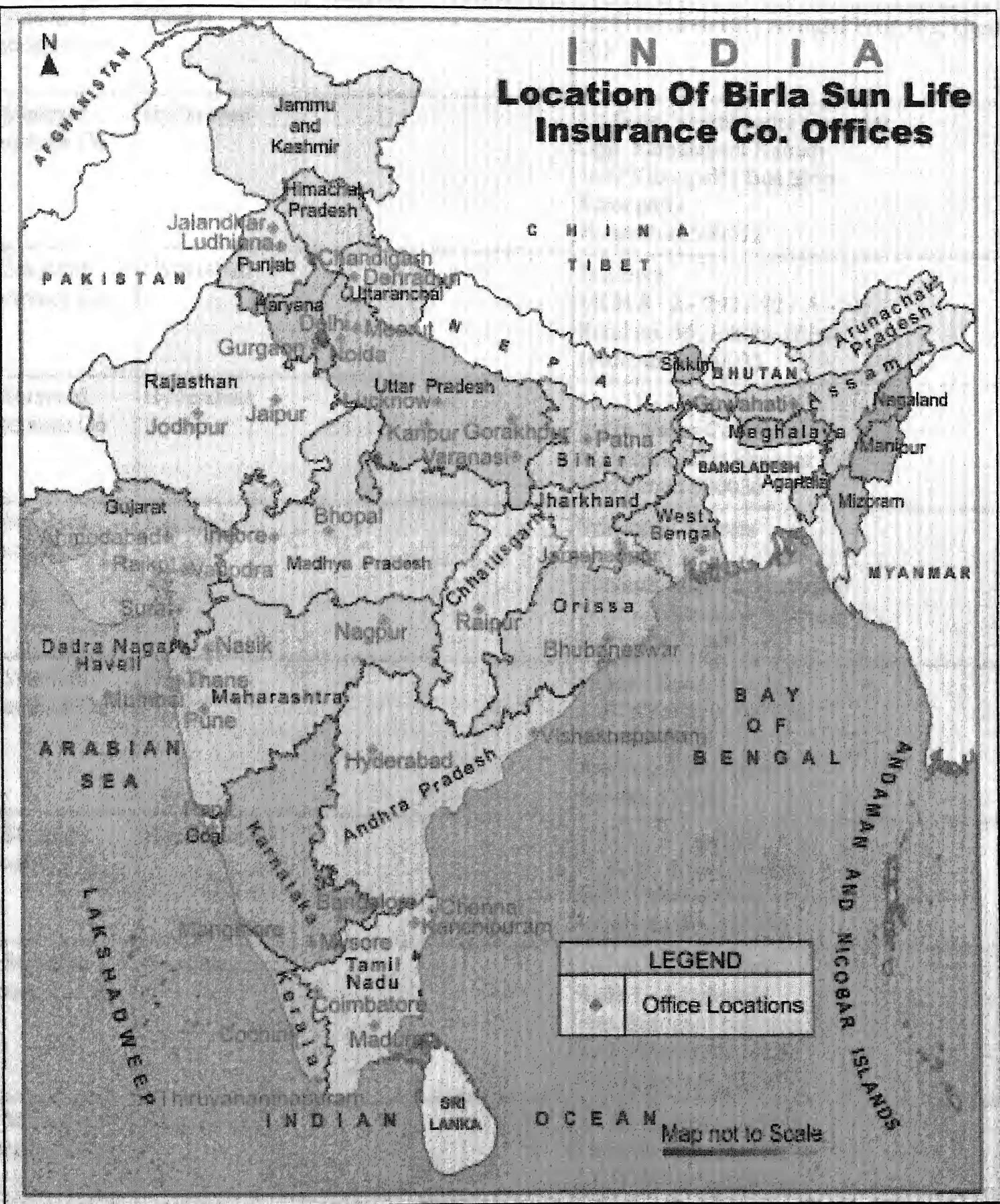
Office Locations
Map not to Scale


INDIA
Location Of Birla Sun Life Insurance Co. Offices
N
AFGHANISTAN
PAKISTAN
CHINA
TIBET
NEPAL
BHUTAN
BANGLADESH
MYANMAR
SRI LANKA
Jammu and Kashmir
Himachal Pradesh
Jalandhar
Ludhiana
Punjab
Chandigarh
Dehradun
Uttaranchal
Haryana
Delhi
Meerut
Gurgaon
Noida
Rajasthan
Jaipur
Jodhpur
Uttar Pradesh
Lucknow
Kanpur
Gorakhpur
Varanasi
Patna
Bihar
Sikkim
Arunachal Pradesh
Assam
Nagaland
Guwahati
Meghalaya
Manipur
Agartala
Mizoram
Jharkhand
West Bengal
Gujarat
Bhopal
Madhya Pradesh
Chhattisgarh
Orissa
Raipur
Bhubaneswar
Nagpur
Surat
Dadra Nagar Haveli
Nasik
Thane
Mumbai
Maharashtra
Pune
ARABIAN SEA
Hyderabad
Andhra Pradesh
BAY OF BENGAL
Goa
Karnataka
Bangalore
Chennai
Mysore
Tamil Nadu
Coimbatore
Kerala
Cochin
Madurai
LAKSHADWEEP
ANDAMAN AND NICOBAR ISLANDS
INDIAN OCEAN
LEGEND
Office Locations
Map not to Scale

HDFC Standard Life Insurance Companies Locations

Name	City	Address
HDFC Standard Life Insurance Co Ltd.	Bhimavaram	1st floor, Vasanthi Complex Opp. Ayyapa Swami Temple J. P. road Bhimavaram - 534 202
HDFC Standard Life Insurance Co Ltd.	Guntur	1st Floor, 6-4-102, Arundel Peth, 4/3, Guntur - 522 002
HDFC Standard Life Insurance Co Ltd.	Hyderabad	1st floor, Veerabhadra Complex Opp. Ramalayam Kaman Near Kukatpally Bus Stop Kukatpally Hyderabad 500072
HDFC Standard Life Insurance Co Ltd.	Hyderabad	2nd floor MCH 8 - 2 - 293 / 82 / A -103 Road no. 36, Jubilee Hills Hyderabad 500033
HDFC Standard Life Insurance Co Ltd.	Hyderabad	16 - 11 - 19 / 11 Salim Nagar Colony Malakpet, Dilsukhnagar Hyderabad 500036
HDFC Standard Life Insurance Co Ltd.	Kakinada	Srideepthi Towers 1st Floor Subhash Road (Main Road) Next to Chandana Brothers Kakinada 533001
HDFC Standard Life Insurance Co Ltd.	Nellore	Ground floor, 15 / 181 Kavita Krishna Annexe Subedar Peth Kanakamaha Centre Nellore 524001
HDFC Standard Life Insurance Co Ltd.	Rajahmundry	10 - 2 - 2, 1st floor D. B. V. Raju Complex Opp. Pushkar Ghat Rajahmundry 533101
HDFC Standard Life Insurance Co Ltd.	Secunderabad	101 & 102, 1st floor 'Lala 1 - Landmark' opp. Raniganj bus stop 5 - 4 - 94, M. G. road Secunderabad 500003
HDFC Standard Life Insurance Co Ltd.	Vijayawada	M. L. Towers, 1st floor Door no. 40 - 1 - 182 M. G. road, Labbipet Vijayawada 520010
HDFC Standard Life Insurance Co Ltd.	Visakhapatnam	1st floor, Saigopal Arcade Opp. Waltair Club, Waltair Main road, Siripuram Visakhapatnam 530003
HDFC Standard Life Insurance Co Ltd.	Guwahati	3rd floor, Mayur Garden opp. ABC bus stop, Bhangagarh Guwahati 781005
HDFC Standard Life Insurance Co	Patna	2nd floor, Nabyug building Opp. Bank of Maharashtra Exhibition road

Ltd.		Patna 800001
HDFC Standard Life Insurance Co Ltd.	Durg	3rd floor, Chauhan Estate, Near Chandra Maurya talkies,G. E. road, Bhilai, Durg District - 490 023 (Chattisgarh)
HDFC Standard Life Insurance Co Ltd.	Bilaspur	3rd floor, Office no. 202, Rama Trade Centre, Opp. Rajiv Plaza, Bus stand road, Bilaspur - 495 001
HDFC Standard Life Insurance Co Ltd.	Raipur	1st floor, Vanijya Bhavan, Sai Nagar,Devendra Nagar road,Raipur - 492 009
HDFC Standard Life Insurance Co Ltd.	New Delhi	1st floor, H - 69, Outer Circle, Connaught Place, New Delhi - 110001.
HDFC Standard Life Insurance Co Ltd.	Janakpuri	1st floor, B - 23, Community Centre, Next to HDFC Bank, Janakpuri, Delhi - 110 058.
HDFC Standard Life Insurance Co Ltd.	New Delhi	47, Ring road, Lajpat Nagar 3, New Delhi - 110 024
HDFC Standard Life Insurance Co Ltd.	Panaji	G - 1, Ground floor, 'Milroc Lar Menezes', Opp. Old Passport Office, Swami Vivekanand road, Panaji, Goa - 403 001
HDFC Standard Life Insurance Co Ltd.	Ahmedabad	2nd flr, Office no. 7, Panchratna bldg., Panchawati Circle, C.G. Road, Navrangpura, Ahmedabad - 380 006
HDFC Standard Life Insurance Co Ltd.	Mumbai	2nd floor, Suramya Complex, Near Mazda Bakery, Anand Vidyanagar road, Anand - 388 001
HDFC Standard Life Insurance Co Ltd.	Bharuch	2nd floor, Gala no. 8 - 11, Aditya Complex, Near Kasak Fountain, Kasak road, Bharuch - 392 002
HDFC Standard Life Insurance Co Ltd.	Bhavnagar	1st floor, 3, Patni Plaza, Above Surabhi Super Market,Neelam Bagh Chowk, Bhavnagar - 364 001
HDFC Standard Life Insurance Co Ltd.	Jamnagar	1st floor, Manek Center, Pandit Nehru Marg, Opp. Income Tax office, Jamnagar - 361 001
HDFC Standard Life Insurance Co Ltd.	Gandhidham	1st floor, M.R. Shah Chambers, Plot no. 355, Sector 12 B, Tagore road,Gandhidham, Dist.Kutch - 370 201
HDFC Standard Life Insurance Co Ltd.	Mehsana	Ground floor, below Pakwan Dining Hall, Swami Simandhar Society, Jaydev Complex, Nagalpur Highway road, Mehsana - 384 002
HDFC Standard Life Insurance Co Ltd.	Rajkot	2nd floor, 'Sakar', Opp. Rajkumar College, Near Kathiawad Gymkhana, Dr. Radhakrishna road, Rajkot - 360 001
HDFC Standard Life Insurance Co Ltd.	Ahmedabad	2nd floor, Sumel complex, Opp. GNFC Info Tower, S. G. road / Highway, Ahmedabad - 380 054
HDFC Standard Life Insurance Co Ltd.	Surat	M 11 - M 16, Mezanine floor, Jolly Plaza, Athwa Gate, Surat - 395 001

HDFC Standard Life Insurance Co Ltd.	Vadodara	3rd Floor, 'Pelican', Opp. Racecourse Towers, Gotri road, Vadodara - 390 00
HDFC Standard Life Insurance Co Ltd.	Valsad	1st foor, Mangalmurti, Opp. Dreamland Cinema, Tithal road, Valsad - 396 001
HDFC Standard Life Insurance Co Ltd.	Vapi	Upper Ground floor, Emperor, Daman road, Chala, Opp. Sardar Biladwala Bank, Vapi - 396 191
HDFC Standard Life Insurance Co Ltd.	Ambala	1st floor, Sudarshan Towers, Cross road no. 1,Nicholoson road, Ambala Cantt., Ambala - 133 001
HDFC Standard Life Insurance Co Ltd.	Faridabad	2nd floor, SCF - 52, Near Nirulas, Sector - 15 Market, Faridabad - 121 007
HDFC Standard Life Insurance Co Ltd.	Gurgaon	Ground floor, S. C. O - 14, Near Nirula's Restaurant, Delhi Gurgaon road,Gurgaon - 122 001
HDFC Standard Life Insurance Co Ltd.	Hissar	1st floor, Kamla Palace, 57 - 60, Kamla Nagar,Red Square Market, Hissar - 125 001
HDFC Standard Life Insurance Co Ltd.	Karnal	Narayan Plaza, SCO, 778, 779, Kunjpura road, Opp. Mahavir Dal, Karnal - 132 001
HDFC Standard Life Insurance Co Ltd.	Panipat	1st floor, Lal Batti Chowk, Near Ludhiana Shawl Market,G. T. road, Panipat - 132 103
HDFC Standard Life Insurance Co Ltd.	Rohtak	1st floor, Above Hero Honda Show room, Shakuntala bldg; Main Delhi-Rohtak road, Rohtak - 124 001
HDFC Standard Life Insurance Co Ltd.	Yamuna Nagar	1st Floor, Plot No 1/75, Opp. Mira Bazar, Near Fountain Chowk, Yamuna Nagar - 135 001
HDFC Standard Life Insurance Co Ltd.	Shimla	3rd floor, Saligarm Bhawan, Main road, Opp. Shimla Public School, Khalini, Shimla - 171 002
HDFC Standard Life Insurance Co Ltd.	Jammu	1st floor, Jammu Ford building, 6, Aknoor road, Jammu - 180 001
HDFC Standard Life Insurance Co Ltd.	Jamshedpur	3rd floor, Jha Niwas, Opp.Hotel Yuvraj Palace,Diversion road, Doranda Ranchi - 834 002 (Jharkhand)
HDFC Standard Life Insurance Co Ltd.	Bangalore	2nd floor, Block 2A, Esquire Centre, No. 9, M. G. road, Bangalore - 560 001
HDFC Standard Life Insurance Co Ltd.	Dharwad	1st floor, CTS no. 69, Rao Saheb, A. C. K. Complex, Near Jubilee Circle / Kittle College, P. B. road, Dharwad - 580 0
HDFC Standard Life Insurance Co Ltd.	Gulbarga	2nd floor, Asian Plaza, Opp. Syndicate Bank, Timmapuri Circle, SPT Chowk, Gulbarga - 585 102(Karnataka)

HDFC Standard Life Insurance Co Ltd.	Mysore	Venjay Edifice, No. 37, 1st floor, JLB road, Chamarajapuram, Mysore - 570 004 (Karnataka)
HDFC Standard Life Insurance Co Ltd.	Kannur	2nd floor, Highway Arcade,T. K. Junction, Thalassery road,Kannur - 670 001 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Kochi	C/o. HDFC Ltd.5th floor, 'HDFC House', Ravipuram Junction, M. G. Road, Kochi - 682 015
HDFC Standard Life Insurance Co Ltd.	Kollam	2nd floor, A. Narayanan Shopping Complex,Opp. Dhanya Theatre, Kadapakkada, Kollam - 691 008
HDFC Standard Life Insurance Co Ltd.	Kottayam	Ground floor, Kadavil buildings, Opp. Plantation,Muttambalam P.O., Kottayam - 686 004 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Kozhikode	2nd floor, Friend Commercial Complex, Mavoor road, Kozhikode (Calicut) - 673 016 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Malappuram	1st floor, SBI Buildings, Opp. Kseb Bhavan,Calicut road, Manjeri, Malappuram - 676 121 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Palakkad	2nd floor, Udaya Towers, Opp. Rapadi Stadium, West Fort road, Palakkad - 678 001 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Thiruvalla	2nd floor, Pulimittathu building,(Air India building) M. C. road,Muthoor P.O., Thiruvalla - 689107 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Thiruvananthapuram	Blue Towers, Power House road, Chenthitta,P. H. road, Near Railway Station, Thiruvananthapuram (Trivandrum) - 695 036 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Trichur	1st floor, Global Center, Opp. Centre Point, M. G. road, Trichur (Thrissur) - 680 004 (Kerala)
HDFC Standard Life Insurance Co Ltd.	Bhopal	1st floor, Star Planet, Plot no. 9, Zone II, M. P. Nagar, Bhopal - 462 011
HDFC Standard Life Insurance Co Ltd.	Guna	1st floor, 975 / 6 & 975 / 3, Above Sarita Decorar, A. B. road, Near State Bank of Indore, Guna - 473 001 (Madhya Pradesh)
HDFC Standard Life Insurance Co Ltd.	Gwalior	2nd floor, Narayan Krishna, 44, City Centre, Gwalior - 474 002. (Madhya Pradesh)
HDFC Standard Life Insurance Co Ltd.	Indore	1st, floor, 103, Bansi Trade Centre, 581 / 5, M. G. road, Indore - 452 001
HDFC Standard Life Insurance Co Ltd.	Jabalpur	1st floor, 123, Manukalp, Rameshwar Nilay,Napier Town, Jabalpur - 482 001. Madhya Pradesh
HDFC Standard Life Insurance Co Ltd.	Sagar	1st floor, H. no. 264, Gujarati Bazar, Jabalpur road, Sagar - 470 002 (Madhya Pradesh)
HDFC Standard	Aurangabad	Ground floor, C/o. Hotel Natraj,Nagar - Aurangabad

Life Insurance Co Ltd.		road, Ahmednagar - 414 001
HDFC Standard Life Insurance Co Ltd.	Akola	2nd Floor, Madhumati Vihar,Ratanlal Plot Square,Akola-444001
HDFC Standard Life Insurance Co Ltd.	Amravati	1st floor, Gurudham Chambers, Opp. Rajapeth Police Station, Badnera road, Amravati - 444 606 (Maharashtra)
HDFC Standard Life Insurance Co Ltd.	Andheri	1st floor, 'A' wing, Trade Star building,Near Hotel Kohinoor Continental, Andheri - Kurla road, Andheri (East), Mumbai - 400 059
HDFC Standard Life Insurance Co Ltd.	Aurangabad	1st floor, 'Saakar', CTS no. 18030, Adalat road, Kranti Chowk, Aurangabad - 431 003
HDFC Standard Life Insurance Co Ltd.	Chandrapur	1st floor, Shri Sanmati Complex, Near Sapna Talkies, Zilla parishad road, Chandrapur - 442 401
HDFC Standard Life Insurance Co Ltd.	Mumbai	Ground Floor, Churchgate Chambers, Next to USIS, New Marine Lines, Mumbai - 400 020
HDFC Standard Life Insurance Co Ltd.	Jalgaon	Patel Plaza, 1 Housing Society, M.G. Road, Jalgaon - 425 001
HDFC Standard Life Insurance Co Ltd.	Jalna	Sheetal Coomercial Complex,Shivaji Chowk, Jalna-431203
HDFC Standard Life Insurance Co Ltd.	Kolhapur	1st floor, E - 399, Ratikamal Complex, Opp. Basant Bahar Talkies, Assembly road, New Shahupuri, Kolhapur - 416 002.
HDFC Standard Life Insurance Co Ltd.	Nagpur	3rd floor, Shriram Shyam Towers, Sadhu Waswani Square, S. V. Patel marg, Sadar, Nagpur - 440 001
HDFC Standard Life Insurance Co Ltd.	Nanded	Shop no. 7 & 8, C/o. Hotel Ashiana Park.Opp. SBI Bank, Nanded - 431 602 (Maharashtra)
HDFC Standard Life Insurance Co Ltd.	Nashik	1st floor, Sethi's City Plaza, Opp. Kalika Mandir, Old Agra road, Nashik - 422 001.
HDFC Standard Life Insurance Co Ltd.	Navi Mumbai	Ground floor, Near Lakshdeep Hospital, Plot No. IC / 2, Sector 9 A, Vashi, Navi Mumbai - 400 703
HDFC Standard Life Insurance Co Ltd.	Pune	2nd floor, Kohinoor Arcade, SDC no. 2, Sector 24, Tilak Chowk, Mumbai - Pune road, Nigadi, Pune - 411 044.
HDFC Standard Life Insurance Co Ltd.	Ratnagiri	Block No. 9 to 13, 2nd Floor2nd Floor.,Paras Plaza, Near Maruti Mandir Chowk, Ratnagiri-415612
HDFC Standard Life Insurance Co Ltd.	Solapur	Ground & Mezzanine floor, Harshawardhan Towers, 84, Railway Lines, Solapur - 413 001
HDFC Standard Life Insurance Co Ltd.	Shillong	Hotel Alpine Continental Complex, Quinton / Thana Road, Quinton Road, Police Bazaar, Shillong - 793 001

Name	City	Address
Max Life Insurance Co Ltd.	New Delhi	Max House, 1 Dr. Jha Marg Okhla , New Delhi 110 020
Max Life Insurance Co Ltd.	New Delhi	20-A, Ring Road Lajpat Nagar IV, New Delhi 110 024
Max Life Insurance Co Ltd.	Chandigarh	SCO 86-87 Sector 8 C, Chandigarh 160008
Max Life Insurance Co Ltd.	Kolkata	Picasso Business Centre 2 Ray Street, Kolkata 700020
Max Life Insurance Co Ltd.	Mumbai	Ready Money Terrace (1st Floor) 167 Annie Besant Road, Worli Naka Mumbai 400018
Max Life Insurance Co Ltd.	Chennai	No. 6, 3rd floor, Crown Court, 34 Cathedral Road, Chennai - 600086
Max Life Insurance Co Ltd.	Ahmedabad	9th Floor, Rembrandt Opp. Associated Petrol Pump CG Road Ahmedabad 380 009
Max Life Insurance Co Ltd.	Bangalore	No.21/15, Landmark Building 4th & 6th floor, MG Road, Bangalore 560 001
Max Life Insurance Co Ltd.	Chandigarh	SCO No. 36-37-38 2nd Floor, Sector - 8-C, Madhya Marg Chandigarh 160018
Max Life Insurance Co Ltd.	Chennai	760 ITC Centre, Anna Salai Chennai - 600 002
Max Life Insurance Co Ltd.	Chennai	TPL Towers, No.3, Cenotoph Road, Chennai - 600018
Max Life Insurance Co Ltd.	Delhi	UGF, Himalaya House KG Marg, New Delhi 110 001
Max Life Insurance Co Ltd.	Delhi	17, 18, 19 Kailash Colony, New Delhi - 110048
Max Life Insurance Co Ltd.	Gurgaon	326, 2nd Floor DLF Central Arcade, DLF City Gurgoan - 122002
Max Life Insurance Co Ltd.	Hyderabad	Gowra Plaza 1-8-444 SP Rd, Begumpet Secunderabad 500003
Max Life Insurance Co Ltd.	Indore	3rd Floor, Indraprastha Towers 6th MG Road, Indore- 452001

Max Life Insurance Co Ltd.	Jaipur	C-98 Upasana Towers IInd Floor, Subhash Marg Off.M.I Road, Jaipur 302001
Max Life Insurance Co Ltd.	Jalandhar	1st floor 917/918 Namrita Complex G.T. Road Jalandhar
Max Life Insurance Co Ltd.	Kolkata	2nd Floor, Kanak Building 41 Chowringhee Road, Kolkata 700071
Max Life Insurance Co Ltd.	Kolkata	15-A, Hemanta Basu Sarani Continental Chambers III Floor Kolkata -700 001
Max Life Insurance Co Ltd.	Ludhiana	SCO 120, Ist and IInd Floor Feroze Ghandhi Market Near Hotel Garewalz Ludhiana-141001
Max Life Insurance Co Ltd.	Mumbai	IInd Floor, Sane Guruji Premises Opp Siddhi Vinayak Temple Veer Savarkar Marg Prabhadevi Mumbai- 400 025
Max Life Insurance Co Ltd.	Nagpur	Shriram Shyam Tower 9th floor Next to NIT Building Kingway Road Sadar Nagpur-440001
Max Life Insurance Co Ltd.	Noida	K-23/ K-24 A/ K-24 B First Floor, Sector-18 Noida - 201301
Max Life Insurance Co Ltd.	Pune	Godrej Millenium Koregaon Park Road Pune 411001
Max Life Insurance Co Ltd.	Surat	2nd Floor, Golden Square Near Sargam Shopping Centre Piplod Surat - 395007
Max Life Insurance Co Ltd.	Bhopal	Kay Kay Business Centre 133 Zone 1 M P Nagar Bhopal 462 011
Max Life Insurance Co Ltd.	Tamilnadu	4th Floor, Suguna Building 707 Avnashi Road Coimbatore Tamilnadu - 641018
Max Life Insurance Co Ltd.	Salem	Silicon Financial Consultants India Private Limited 2nd Floor, 4/137A Alagapuram Main Road Near Arunagiri ENT Hospital Salem - 16
Max Life Insurance Co Ltd.	Erode	Silicon Financial Consultants India

		Private Limited Surya Complex, 2nd Floor No. 23, Nachiappa Main Street, Erode - 638 001
Max Life Insurance Co Ltd.	Kerala	39/5895, Ravipuram M. G. Road Cochin, Kerala - 682 015
Max Life Insurance Co Ltd.	Trivandrum	Kavungal Plaza, T.C. 17/871 Pattom Medical College Road Next to Arya Central School Trivandrum
Max Life Insurance Co Ltd.	Kannur	Below SBT, TV 33/418 1st Floor, Platinum Centre Bank Road Kannur 670001
Max Life Insurance Co Ltd.	Thrissur	Capital Towers Room No. 25, Patturaikkal Shornur Road, Thrissur - 1
Max Life Insurance Co Ltd.	Calicut	27 / 311-C, 2nd Floor V. K. Complex I. G. Road Arayadathu Palam Calicut - 673004
Max Life Insurance Co Ltd.	Kottayam	Padinjarekkara Chambers Opp. Collectorate K K Road Kottayam - 2
Max Life Insurance Co Ltd.	Vadodara	Jaydev R. Patel Insurance Agency Private Limited 301-303, Sakar Complex Old Padra Road. Vadodara 390007
Max Life Insurance Co Ltd.	Visakhapatnam	10-1-8/3, Waltair Aplands Visakhapatnam - 530003
Max Life Insurance Co Ltd.	Aurangabad	Akshay Apartments Near Sant Eknath Rang Mandir Osmanpura Aurangabad - 431005
Max Life Insurance Co Ltd.	Udaipur	301, Ashiana Complex Khumbha Marg Udaipur 313001
Max Life Insurance Co Ltd.	Nashik	Balwanth Chamber Ground Floor New Pandit Colony Corner Sharanpur Road.
Max Life Insurance Co Ltd.	Agra	C/o GURUJI MOTORS Pvt. Ltd. The Mall Road Pratap pura Xing Agra Cantt AGRA -1
Max Life Insurance Co Ltd.	Kolkata	Golden Trust Multi Services. 16, R N Mukherjee Road Kolkata 700001

ING VYSYA Life Insurance Companies Locations

Name	City	Address
ING VYSYA Life Insurance Co Ltd.	Ahmedabad	3rd Floor, Abhijeet-V Law Graden Road,Ellisbridge Ahmedabad 380006
ING VYSYA Life Insurance Co Ltd.	Amritsar	Mezzanine Floor, 122-SCO, District Shopping Centre, Ranjit Avenue Amritsar 143006
ING VYSYA Life Insurance Co Ltd.	Jayanagar	Suraj Ganga Arcade No. 332/7, 14th Cross, II Block, Near South End Circle, Jayanagar Bangalore 560011
ING VYSYA Life Insurance Co Ltd.	Malleshwaram	1st Floor, BMT Complex 10th Cross, Margosa Road Malleshwaram Bangalore 560003
ING VYSYA Life Insurance Co Ltd.	Belgaum	No.1, Mezzanine Floor, Aditya Arcade, Nehru Nagar Belgaum 590001
ING VYSYA Life Insurance Co Ltd.	Bhopal	5, Malviyanagar, Rajbhavan Road Bhopal 462003
ING VYSYA Life Insurance Co Ltd.	Bhopal	6/255, D, 3rd Floor City Plaza, YMCA Cross Road, Calicut 673 001
ING VYSYA Life Insurance Co Ltd.	Chandigarh	I & II Floor, SCO 166-167 Sector 9C, Madhyamarg Chandigarh 160008
ING VYSYA Life Insurance Co Ltd.	Chennai	Prince Kushal Towers Ground Floor 96, Anna Salai Chennai 600002
ING VYSYA Life Insurance Co Ltd.	Aminjikarai	Ampa Manor, 2nd Floor 107/2, Nelson Manickam Road Aminjikarai Chennai 600029
ING VYSYA Life Insurance Co Ltd.	Cochin	1st Floor, Prabhu Towers, 40/9651, M. G. Road, Cochin 682035
ING VYSYA Life Insurance Co Ltd.	Guwahati	108/5, Srivarigokul Towers 3rd Floor, Race Course Road Coimbatore 641018
ING VYSYA Life Insurance Co Ltd.	Delhi	Barakhamba Road Branch 10th FLOOR Gopal Das Bhawan 28, Barakhamba Road New Delhi 110001
ING VYSYA Life Insurance Co Ltd.	Faridabad	ING Vysya Life Insurance Co. Pvt. Ltd. 1st floor, SCO 99, Sector-16 (main market) Faridabad (Haryana) Faridabad 121002
ING VYSYA Life Insurance Co Ltd.	Goa	Kamat Towers 7th Floor, Pattopanjan

		Goa 403001
ING VYSYA Life Insurance Co Ltd.	Guntur	Raghu Mansion Near Sankar Vilas Café 4/1, Brodipet Guntur 522002
ING VYSYA Life Insurance Co Ltd.	Gurgaon	ING Vysya House I & II Floor, No-307, Sector 29 (Near Huda Gymkhana Club), Huda Gurgaon 122002
ING VYSYA Life Insurance Co Ltd.	Hubli	Kalburgi Plaza II Floor, Above UTI Bank Deshpandenagar Hubli 580029
ING VYSYA Life Insurance Co Ltd.	Hyderabad	301-303, 3rd Floor Venkat Plaza G-3-883/5 Hyderabad 500082
ING VYSYA Life Insurance Co Ltd.	Indore	7/1 Dr. R S Bhandari Marg, 3rd Floor, K. K. Bafna Arcade Building, Jangeer Wala Chouraha Indore 452001
ING VYSYA Life Insurance Co Ltd.	Jaipur	D-24, Prithviraj Road C Scheme Jaipur 302001
ING VYSYA Life Insurance Co Ltd.	Jalandhar	Pam Rose World Trade Centre, 2nd Floor, G.T. Road, Jalandhar 144001
ING VYSYA Life Insurance Co Ltd.	Kolkata	7th Floor Landsdowne Towers 2/1A, Sarat Bose Road Kolkata 700020
ING VYSYA Life Insurance Co Ltd.	Kollam	Third Floor Kurumpelil Avenue Kollam 691021
ING VYSYA Life Insurance Co Ltd.	Kottayam	1st Floor, Cherukara Towers, Collectorate P.O Kottayam 686 002
ING VYSYA Life Insurance Co Ltd.	Lucknow	Rohit House, 2nd Floor 1, Shahnajaf Road Lucknow 226001
ING VYSYA Life Insurance Co Ltd.	Ludhiana	SCO 16 & 17, Fortune Chambers 5th Floor Opp.Ludhiana Stock Exchange Ludhiana 141001
ING VYSYA Life Insurance Co Ltd.	Madurai	# 29/18, 1st Floor, Azad Street, Gandhinagar Madurai 625020
ING VYSYA Life Insurance Co Ltd.	Mangalore	4th Floor Crystal Arc Balmatta Road Mangalore 575001
ING VYSYA Life Insurance Co Ltd.	Mumbai	Konark House 874, Veer Savarkar Marg Prabhadevi

		Mumbai 400025
ING VYSYA Life Insurance Co Ltd.	Mysore	I Floor, Haripriya Complex, VV Mohalla Mysore 570002
ING VYSYA Life Insurance Co Ltd.	Nagpur	LANDMARK 4th Floor, MSC Building Wardha Road, Ramdaspeth Nagpur 440015
ING VYSYA Life Insurance Co Ltd.	Pune	II Floor Amar Avinash Corporate City 11, Bund Garden Road Pune 411001
ING VYSYA Life Insurance Co Ltd.	Salem	115/B1A , 1st Floor, Opp to TVS, Omulur Main Road Salem 636009
ING VYSYA Life Insurance Co Ltd.	Secunderabad	9-1-126/127, SD Road Amsri Classic, 3rd Floor Secunderabad 500003
ING VYSYA Life Insurance Co Ltd.	Surat	301 Mangal Deep complex, Above Sasujee Restaurant Nr. R.T.O, Ring Road Surat 395001
ING VYSYA Life Insurance Co Ltd.	Thrissur	Dee Pee Plaza T.B. Road, Kokkalai Thrissur 680021
ING VYSYA Life Insurance Co Ltd.	Tirupur	No.254, R.C.R.Complex 2nd Floor, Thottipalayam Village Avinashi Road Tirupur 641603
ING VYSYA Life Insurance Co Ltd.	Trichy	2nd Floor, Periyasamy Towers, 31, Kaliamman Kovil Street Chathiram Bus Stand Trichy 620002
ING VYSYA Life Insurance Co Ltd.	Trivandrum	3rd Floor Condor Plaza 2/2421, M.G.Road Pattom Palace P.O Trivandrum 695004
ING VYSYA Life Insurance Co Ltd.	Vadodara	Gunjan Tower, Ist Floor 205, Alembic-Gorwa Road Subhanpura, Vadodara 390023
ING VYSYA Life Insurance Co Ltd.	Vijaywada	4th Floor, HRT Plaza Benz Circle Door No.40-1-100B/1 Vijaywada 500010
ING VYSYA Life Insurance Co Ltd.	Vizag	2nd Floor Dutt Island Siripuram Junction Vishakapatnam 530003

Name	City	Address
Royal Sundram Alliance Insurance Co Ltd.	Aurangabad	'Sakar', II Floor CTS No. 18030 Adalat Road Aurangabad 431005.
Royal Sundram Alliance Insurance Co Ltd.	Chandigarh	C/O Sundaram Finance Limited Sco 24-25 First Floor Sector-9 D Madhya Marg Chandigarh 160009.
Royal Sundram Alliance Insurance Co Ltd.	Gurgaon	9Th Floor, Signature Towers, South City 1, N.H.8,Gurgaon - 122 001.
Royal Sundram Alliance Insurance Co Ltd.	New Delhi	605 Sixth Floor Ashoka Estate 24 Barakhamba Road New Delhi 110001
Royal Sundram Alliance Insurance Co Ltd.	Raipur	First Floor Chawla Chambers Above UTI Bank Jeevan Bima Marg Pandari, Raipur-49201
Royal Sundram Alliance Insurance Co Ltd.	Chandigarh	C/O Sundaram Finance Limited Sco 24-25 First Floor Sector-9 D Madhya Marg Chandigarh 160009.
Royal Sundram Alliance Insurance Co Ltd.	Bangalore	Mangalaya Punarbhav 2nd Floor 132 Brigade Road Bangalore 560025
Royal Sundram Alliance Insurance Co Ltd.	Cochin	D1, Amritha towers Opp Maharaja Grounds KPCC Jn, MG Road Kochi 682011.
Royal Sundram Alliance Insurance Co Ltd.	Coimbatore	4A, 4th Floor Thirumalai Towers 723 Avanashi Road Coimbatore 641018
Royal Sundram Alliance Insurance Co Ltd.	Hyderabad	Jewel pawani Towers 5th Floor No : 6-3-1109/1 A Block Somaj iguda Hyderabad 500082
Royal Sundram Alliance Insurance Co Ltd.	Madurai	TVS Cooperative Stores Building 37 Krishna Rao Tank Street Madurai 625001
Royal Sundram Alliance Insurance Co Ltd.	Pondicherry	55B, Mission Street 1st Floor Pondicherry 605001
Royal Sundram Alliance Insurance Co Ltd.	Salem	C/O Sundaram Finance Limited Managalam Building Omalur Road Salem 636009
Royal Sundram Alliance Insurance Co Ltd.	Trivandrum	C/O Sundaram Finance Ltd Chahaya TC 24/665 Mettukkada Thycaud PO Trivandrum 695014
Royal Sundram Alliance Insurance Co Ltd.	Trichy	C/O Sundaram Finance Limited Centre Point 2nd Floor 95 Bharathidasan Salai Cantonment

		Trichy 620001
Royal Sundram Alliance Insurance Co Ltd.	Vijayawada	40-16-7/ A Siddhartha Woman's college Road Vijayawada 520010
Royal Sundram Alliance Insurance Co Ltd.	Vishakhapatnam	10-1-35/B, Parvataneni Hills CBM Compound,Waltair Upland,Vishakhapatnam-530003
Royal Sundram Alliance Insurance Co Ltd.	Ahmedabad	4th Floor Chandan House Opp. Pantallons Mithakhali Six Roads Ahmedabad 360006
Royal Sundram Alliance Insurance Co Ltd.	Baroda	Pelican 3rd Floor Abhishek Colony Race Course Circle Gotri Road Baroda 390007
Royal Sundram Alliance Insurance Co Ltd.	Goa	103/04 Durga Chambers 18th June Road Panjim Goa 403001
Royal Sundram Alliance Insurance Co Ltd.	Mumbai	Electric Mansion 1 st floor Appa Saheb Marathe Marg Prabhadevi Mumbai 400025
Royal Sundram Alliance Insurance Co Ltd.	Mumbai (Khar)	301-302, Span Center South Avenue Road (Ramkrishna Mission Marg) Santacruz Mumbai 400054
Royal Sundram Alliance Insurance Co Ltd.	Mumbai (VASHI)	306, Devavrata Plot No 83, Near Uti Capital Market,Sector 17, Vashi,Navi Mumbai - 400 705
Royal Sundram Alliance Insurance Co Ltd.	Pune	1st Floor Rachna Trade Estate Sndt Crossing Plot No 64 Law College Road Pune 411004
Royal Sundram Alliance Insurance Co Ltd.	Kolkata	101-103 Shubham 1 Sarojini Naidu Sarani Kolkata - 700 017

Om Kotak Mahindra Insurance Co Ltd.	Ahmedabad	5th floor, Rembrandt C.G Road, Navrangpura Ahmedabad - 380 009.
Om Kotak Mahindra Insurance Co Ltd.	Bangalore	Flat nos.102 1st floor Cears Plaza, 136 Residency Road Bangalore - 560 025.
Om Kotak Mahindra Insurance Co Ltd.	Bhavnagar	4, Pattani Plaza Nilambaugh Chowk Dairy Road Bhavnagar - 364 001.
Om Kotak Mahindra Insurance Co Ltd.	Bhopal	Ranjit TowerOffice no. 3 & 4 Plot no. 8 1st Floor, M. P. Nagar Zone II.

Om Kotak Mahindra Insurance Co Ltd.	Chennai	1st Floor, Ceebros Centre Montieth Road, Egmore Chennai - 600 018
Om Kotak Mahindra Insurance Co Ltd.	Delhi	602, Antriksh Bhavan 22, K.G. Marg Delhi - 110 001
Om Kotak Mahindra Insurance Co Ltd.	Gandhidham	Komal Complex Office no. 11, 12 & 13 1st floor Plot no. 305 Opp. State Bank of India Near Gandhidham Co-op Bank Ltd. Gandhidham Kuchchh - 370 201.
Om Kotak Mahindra Insurance Co Ltd.	Hyderabad	White House Flat no: 103 Kundan Bagh, Begumpet Hyderabad 500016.
Om Kotak Mahindra Insurance Co Ltd.	Jamnagar	City Point, 601-604 4th floor, Station Road, Near Town Hall Jamnagar
Om Kotak Mahindra Insurance Co Ltd.	Kolhapur	Kailash Tower Shop no. 1 Station Road Kolhapur
Om Kotak Mahindra Insurance Co Ltd.	Kolkata	Kanak Building 1st floor 41 Chowringhee Road Kolkata - 700 071.
Om Kotak Mahindra Insurance Co Ltd.	Mumbai	5C - II Mittal Court, 224 Nariman Point Mumbai - 400 021
Om Kotak Mahindra Insurance Co Ltd.	Nadiad	CITI POINT, 3rd floor Shop no. 301/B, 314, 315, 316 & 317 Near Paras Cinema Sandra Road,IPCO Circle Nadiad - 387 001.
Om Kotak Mahindra Insurance Co Ltd.	Nagpur	101-102, Usha Complex 345, Sardar Vallabh Bhai Patel Road Kingsway Nagpur - 440 001.
Om Kotak Mahindra Insurance Co Ltd.	Palanpur	Hotel Cappal Near Arun Fuel Centre State Highway Palanpur.
Om Kotak Mahindra Insurance Co Ltd.	Pune	418-424 Sohrab Hall 21, Sasoon Road Pune - 411 001

Om Kotak Mahindra Insurance Co Ltd.	Rajkot	5th floor Star Chamber Harihar Chowk Dr. Rajendraprasad Road Rajkot - 360 001.
Om Kotak Mahindra Insurance Co Ltd.	Surat	102/103, Tirupati Plaza Near Collector office Athwa Gate Surat-395001
Om Kotak Mahindra Insurance Co Ltd.	Vadodara	6th floor Arundeep Complex Race Course Circle (South) Vadodara - 390 007.
Om Kotak Mahindra Insurance Co Ltd.	Vapi	Shree Nathji Chambers Office no. 4 2nd floor Plot no. C 6/13 Via Char Rasta GIDC Vapi - 396 191

Name	City	Address
Bajaj Allianz General Insurance Co Ltd.	Ahmedabad	204/206 , Time Square Nr Pariseema Complex, C.G.Road Ellisbridge, Ahmedabad - 380006.
Bajaj Allianz General Insurance Co Ltd.	Andheri	3rd Floor 349 Bussiness Point Western Express Higway Road Andheri East.
Bajaj Allianz General Insurance Co Ltd.	Aurangabad	2nd floor Rajendra Bhavan Next to LIC Building Adalat Road Aurangabad 431005
Bajaj Allianz General Insurance Co Ltd.	Akola	C/o The Akola Urban Co-op Bank Limited Head Office. Jankalyan", 58/59 Toshniwal Layout Nr. Milk Scheme Murtizapur Road.
Bajaj Allianz General Insurance Co Ltd.	Aanand (Satellite Office)	RadhaShayam Comp 2nd floor Gamdivad Anand 388001
Bajaj Allianz General Insurance Co Ltd.	Delhi	C-31/32, 1st Floor Connaught Place New Delhi - 110 002
Bajaj Allianz General Insurance Co Ltd.	Bangalore	105A, 1st Floor Cears Plaza 136 Residency Road Bangalore - 560 025

Bajaj Allianz General Insurance Co Ltd.	Bhubaneshwar	Ground Floor Prasanti, 168 - B Bapujinagar,Janpath Bhubaneshwar - 751009
Bajaj Allianz General Insurance Co Ltd.	Bhopal	HIG-10, 1st Floor Shivaji Nagar Opp.Pragati Petrol Pump Bhopal M.P. 462016
Bajaj Allianz General Insurance Co Ltd.	Bharuch	201-202, Rangoli Complex Station Road Bharuch - 392001.
Bajaj Allianz General Insurance Co Ltd.	Chennai	No.25 / 26 Prince Towers, 5th Floor College Road, Nungambakkam Chennai- 06
Bajaj Allianz General Insurance Co Ltd.	Chandigarh	SCO 139-140 First Floor,Sector 8C Chandigarh-160018
Bajaj Allianz General Insurance Co Ltd.	Cochin	3rd Floor, Finance Tower Near Indian Express, Kaloor Cochin-682017
Bajaj Allianz General Insurance Co Ltd.	Coimbatore	Door No.11 People's Park 3rd Floor Govt Arts College Road Coimbatore-641018
Bajaj Allianz General Insurance Co Ltd.	Goa	3C & 3D "Sesa Ghor"20 PattoPlaza, EDC Complex Panaji Goa-403001
Bajaj Allianz General Insurance Co Ltd.	Guwahati	2B, 2nd Floor Centre Point, G. S. Road Ulubari (Opp.Bora Service Station) Guwahati - 781007
Bajaj Allianz General Insurance Co Ltd.	Indore	3rd Floor, Indraprastha Tower Near Hukumchand Ghantaghar 6, M. G. Road Indore - 452001.
Bajaj Allianz General Insurance Co Ltd.	Hubli	"Vivekanand Corner" Desai Cross Club Road Hubli 580 029.
Bajaj Allianz General Insurance Co Ltd.	Hyderabad	608 & 609, 6th Floor 2nd Block White House ,Begumpet Hyderabad - 500016
Bajaj Allianz General Insurance Co Ltd.	Jaipur	O-12-A, IInd Floor Ashok Marg, C-Scheme Jaipur 302001
Bajaj Allianz General Insurance Co Ltd.	Jalandhar	2nd Floor, Satnam Complex BMC Chowk, G.T. Rd Jalandhar - 144001.

Bajaj Allianz General Insurance Co Ltd.	Jammu	C/O J& K Bank Zonal Office Railhead Complex Jammu- 180012
Bajaj Allianz General Insurance Co Ltd.	Kanpur	11/9, Silver Line Opp. Elgin Mills Retail Shop Civil Lines Kanpur-208001
Bajaj Allianz General Insurance Co Ltd.	Karur	Ashoka Towers,III Floor,1016,Kovai Road ,Karur - 639001
Bajaj Allianz General Insurance Co Ltd.	Kolkatta	Macmet House 10/B, O.C.Ganguli Sarani (Lee Road) Kolkatta - 700020
Bajaj Allianz General Insurance Co Ltd.	Lucknow	4,Shahnajaf Road Hazratjang Lucknow - 226001
Bajaj Allianz General Insurance Co Ltd.	Ludhiana	SCO - 147 Feroz Gandhi Market Ludhiana - 141001
Bajaj Allianz General Insurance Co Ltd.	Mangalore	107 , Crystal ARC 1st Floor Balmatta Road Mangalore - 575001.
Bajaj Allianz General Insurance Co Ltd.	Madurai	1st Floor K.M.A Complex 12 G Ram Nagar By Pass Road Madurai - 625010.
Bajaj Allianz General Insurance Co Ltd.	Mumbai	952/954, Ground Floor Appasaheb Marathe Marg Besides Marathe Udyog Bhavan Prabhadevi Mumbai - 400 025
Bajaj Allianz General Insurance Co Ltd.	Mysore	No 363, Sri Hari Complex Seetha Vilas Road Mysore - 570024.
Bajaj Allianz General Insurance Co Ltd.	Nasik	Office No-9 First Floor Unity Plaza Mumbai Naka (Suyojit Circle) Above At & T World Nasik 422006
Bajaj Allianz General Insurance Co Ltd.	Nagpur	6th Floor Shriram-Shyam Tower Near NIT Building Sadar Nagpur - 440001
Bajaj Allianz General Insurance Co Ltd.	Noida	A-3, 3rd Floor Sector 4, Noida Uttar Pradesh.
Bajaj Allianz General Insurance Co Ltd.	Ranchi	Uppal Complex 2nd Floor (Near Over Bridge) Main Road Ranchi - 834001

Bajaj Allianz General Insurance Co Ltd.	Pune Head Office	GE Plaza 1 st Floor Airport Road, Yerawada Pune 411006
Bajaj Allianz General Insurance Co Ltd.	Pune Branch office	Vardhaman 4th Floor 7 Loves Chowk Shankar Sheth Road Pune-411042
Bajaj Allianz General Insurance Co Ltd.	Rajkot	601-2,606, "Prasham" 6th Floor Besides Dharam Cinema Kasturba Gandhi Road Rajkot 360001
Bajaj Allianz General Insurance Co Ltd.	Raipur	Shiv Mohan Bhavan Vidhansabha Road Pandri Raipur 492001.
Bajaj Allianz General Insurance Co Ltd.	Siliguri	City Plaza (4th Floor) 2nd Mile, Sevoke Road Siliguri - 734401.
Bajaj Allianz General Insurance Co Ltd.	Surat	25 - 28, Upper Ground Floor Megh Mayur Plaza Athwalines , Parlepoint Surt Dumas Road Surat - 395007
Bajaj Allianz General Insurance Co Ltd.	000000	C/O J & K Bank Ltd Corporate Head Quarters M.A Road 000000 - 190001
Bajaj Allianz General Insurance Co Ltd.	Vashi	Office No 101 & 116 Persepolis Premises Plot No 74 Sector 17 Vashi Navi Mumbai- 400703
Bajaj Allianz General Insurance Co Ltd.	Trivandrum	TC 28/2222(5) "Anugraha", II Floor M. G. Road, Pazhavangadi Trivandrum-695023.
Bajaj Allianz General Insurance Co Ltd.	Thane	Pushtamangal Complex Building no. 1, LBS Marg Adjacent to Babubai Petrol Pump Thane 400601
Bajaj Allianz General Insurance Co Ltd.	Visakhapatnam	3 B, Balaji Mangalagiri Chambers VIP Road, CBM Compound Visakhapatnam 530016
Bajaj Allianz General Insurance Co Ltd.	Vadodara	104, Concorde RC Dutt Road Alkapuri Vadodara- 390007

Andhra Pradesh	
Birla Sun Life Insurance Co Ltd. 2nd Floor Sapphire Square Rajiv Gandhi Chowk Hyderabad 500082	**Birla Sun Life Insurance Co Ltd.** Eswar Paradise Dwarakanagar, Vizag Vishakapatnam 530016 Ph. - 0891 - 5544192 / 93
Birla Sun Life Insurance Co Ltd. Mayfair Complex 4th Floor, S.P. Road Secunderabad Hyderabad 500003 Ph. - 040 - 55323131, 55324591, 55324592, 55324593 Fax. - 040 - 55324588	
Assam	
Birla Sun Life Insurance Co Ltd. Rohini Apartments 1st Floor, Chandmari (village Sahar sarania) GNB Road, Kamrup District Guwahati 781003 Tel. - 0361 - 2663426 / 40	
Bihar	
Birla Sun Life Insurance Co Ltd. 6, Churchlane Ground Floor, Jamshedpur	**Birla Sun Life Insurance Co Ltd.** 1st Floor, Twin Tower Hathwa, South Gandhi Maidan Muzafarpur Patna 800001
Birla Sun Life Insurance Co Ltd. 1st Floor, Twin Tower Hathwa, South Gandhi Maidan Patna 800001 Ph. 0612 - 2207751 / 53 Fax. 0612 - 2201510	
Chandigarh	
Birla Sun Life Insurance Co Ltd. SCO-149-150 Sector 9 C Madhya Marg Chandigarh 160009	
Chhattisgarh	
Birla Sun Life Insurance Co Ltd. 436-443 4th Floor Lal Ganga Shopping Mall G E Road Raipur 492001 Ph. - 0771 - 5084301 / 305	**Birla Sun Life Insurance Co Ltd.** **Corporate Office** 6th Floor, Vaman Centre Makhwana Road Off Andheri - Kurla Road Andheri (E) Mumbai 400059 Phone: 022 - 56783333 Fax: 022 - 56783442/ 3382/ 3482/ 3362
Delhi	
Birla Sun Life Insurance Co Ltd. Aditya Corporate Plaza 2nd Floor, Plot No. 4 Community Centre, Karkardooma New Delhi Ph. 011 - 39562399 / 9839530911 / 927	**Birla Sun Life Insurance Co Ltd.** P. P. Towers, Netaji Subhash Palace Pitampura New Delhi 110034 Ph. 011 - 30992061 / 52 / 53 Fax. 011 - 27353614

Birla Sun Life Insurance Co Ltd. 204, Ashoka Estate 24, Barakhamba Road Connaught Place New Delhi 110001 Ph. - 011 - 23321069, 23753730 Fax. - 011 - 23753736	**Birla Sun Life Insurance Co Ltd.** A-266, Defence Colony New Delhi 110024 Ph. - 011 - 24330093 Fax. - 011 - 24330641
Goa	
Birla Sun Life Insurance Co Ltd. 464, Landscape Garden Campal, Near Meeramar Road Panaji	
Gujarat	
Birla Sun Life Insurance Co Ltd. Moovers The Business Inn Lower Ground, Indraprasth Comp. Opp. Sub Jail Hanuman Sheri, Ring Road Surat 395002 Ph. 0261 - 2255881 / 82	**Birla Sun Life Insurance Co Ltd.** 1st Floor, Madhav Complex R C Dutt Road, Alkapuri Baroda 390007 Ph. - 0265 - 5522999 Fax. - 0265 - 5522998
Birla Sun Life Insurance Co Ltd. Pancharatna Upper Gr. Floor C. G. Road, Opp White House Ahmedabad Ph. 079 - 6409740 / 41 Fax. 079 - 6409745	**Birla Sun Life Insurance Co Ltd.** 1st Floor, Venkatesh Plaza Dr.Radhakrishnan Road Opp. Rajkumar College Rajkot 360001 Ph. 0281 - 2482511 / 15 Fax. 0281 - 2482514
Haryana	
Birla Sun Life Insurance Co Ltd. J.M.D. Regent Square Ground Floor, DLF Phase - II Gurgaon Mehrauli Road Haryana 122002 Ph. 0124 - 2804050-56 Fax. 0124 - 2804049	
Karnataka	
Birla Sun Life Insurance Co Ltd. II Floor, Premium Enclave Light House Hill Road Mangalore 575002	**Birla Sun Life Insurance Co Ltd.** Shri Lakshmi Complex 3rd Floor, 4th block, 11th Main 27th Cross, Jayanagar
Birla Sun Life Insurance Co Ltd. H. M. Geneva House No: 14 Cunnigham Road, Bangalore Bangalore 560052 Ph. - 080 - 22207460 / 62 Fax. - 080 - 2207466	**Birla Sun Life Insurance Co Ltd.** Darla Opus No. 101, 1st Floor D. Devaraj Urs Road Mysore 570001 Ph. 0821 - 5288011 / 5288012 Fax. 0821 - 2422799
Kerala	
Birla Sun Life Insurance Co Ltd. Sana Towers, Gr. floor Opp. Hotel Avenue Regent M.G.Road, Ernakulam Kochi 16 Ph. 0484 - 2350401 / 407 Fax. 0484 – 2350406	

Madhya Pradesh	
Birla Sun Life Insurance Co Ltd. Plot No 7, Kwality Business Centre Mezanine Floor, Above Centurion Bank M P Nagar, Zone 2 Bhopal 462013 Ph. 0755 - 5202111 / 5202444	**Birla Sun Life Insurance Co Ltd.** Commerce House, 7, Racecourse Road Indore 452001 Ph. 0731 - 2549005/6 Fax. 0731 - 2549010
Maharashtra	
Birla Sun Life Insurance Co Ltd. Queens Lawn Co-op. Soc. Gr.Floor, S.V.Road, Vile Parle Mumbai 400056 Ph. 022 - 26703929 / 3901 Fax. 022 - 26703902	**Birla Sun Life Insurance Co Ltd.** 53, Maharishi Karve Road, Marine Lines Mumbai 400002 Ph. 022 - 22014085 / 99 Fax. 022 - 22014091
Birla Sun Life Insurance Co Ltd. Bldg.No.11, Corporate Park 1st Flr, Sion - Trombay Road Chembur Mumbai 400071 Ph. 022 - 25276201 / 07 Fax. 022 - 25276208	**Birla Sun Life Insurance Co Ltd.** Kapli Towers, "C" Wing Plot no. 45, Gr. Floor Dr. Ambedkar Road, Near R.T.O Sangam Bridge Pune 411001 Ph. 020 - 6126568 / 6450 Fax. 020 - 26126579
Birla Sun Life Insurance Co Ltd. 6th Floor, Landmark Wardha Road, Ramdaspeth Nagpur 440010 Ph. 0712 - 5618020 / 5606561	**Birla Sun Life Insurance Co Ltd.** 606, Business Classics Chincholi Bunder Road, Malad Mumbai 400064
Birla Sun Life Insurance Co Ltd. Shop no.4, Dev Shrusti Ground Floor, 60ft Road Bhayander (W) Thane 401101	**Birla Sun Life Insurance Co Ltd.** Shanta Sadan, 1st Floor Gokhale Road Above Sangali Bank Naupada Thane 400602 Tel. 022 - 25398174 / 77 Ph. Shyamala@birlasunlife.com
Birla Sun Life Insurance Co Ltd. Nasik	
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Birla Sun Life Insurance Co Ltd. Plot No - 184 , 2nd Floor Kedarson Building, Janpath Road Bhubaneshwar 751001 Ph. 0674 - 2534363 / 2535880	
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Birla Sun Life Insurance Co Ltd. 124, Ground Floor Feroz Gandhi Market Near Hotel Grewal Ludhiana Ph. 0161 - 2771646 / 51	**Birla Sun Life Insurance Co Ltd.** 25, Gobind Mall (Above Karnataka Bank) G.T.Road, Jalandhar 144001 Ph. 0181- 5098714 / 5059888 / 5059440 - 3 Fax. 0181 - 5098714
Rajasthan	
Birla Sun Life Insurance Co Ltd. II Floor, 5th Avenue, P.W.D.Colony Jodhpur 342003 Ph. 0291 - 3953376 / 82 Fax. 0291 - 5105908	**Birla Sun Life Insurance Co Ltd.** BMoondhra Towers, Gr.Floor O-12(A), 'C' Scheme, Ashok Marg Near Ahinsa Circle Jaipur

Tamilnadu	
Birla Sun Life Insurance Co Ltd. 8-d, Heera Castle Marapalam Junction, Pattom Trivandrum	**Birla Sun Life Insurance Co Ltd.** Lion Cave, 51, Valakadi Koli Street Near Rangaswamy Tank, Kanchipuram Kanchipuram 631501 Ph. 04112 - 235797
Birla Sun Life Insurance Co Ltd. EVS Towers, 1st Floor Old No.#21, New No.#35 Mylapore Chennai 600004 Ph. 044 - 28473392 / 93 Fax. 044 - 28473378	**Birla Sun Life Insurance Co Ltd.** 1057, Jaya Enclave Avinashi Road Coimbatore 641018 Ph. 0422 - 5391001 Extn. 106
Birla Sun Life Insurance Co Ltd. Kuber's 42/425, Pantheon Road Egmore Chennai 600008 Ph. 044 - 28193258 / 28190100 Fax. 044 - 28193226	**Birla Sun Life Insurance Co Ltd.** L - 4, 4th Floor Ram Apartment, By-Pass Road Madurai
Uttar Pradesh	
Birla Sun Life Insurance Co Ltd. 301/1, Regalia Bldg. Mangal Pandey Nagar, University Road Meerut 250001 Ph. 0121 - 2763548 / 50 Fax. 0121 - 276757	**Birla Sun Life Insurance Co Ltd.** J S Tower, Mahatma Gandhi Marg 2nd Floor, The Mall Kanpur Ph. 0512 - 2331446 / 47 Fax. 0152 - 233 1448
Birla Sun Life Insurance Co Ltd. 4th Floor, Kuber Complex Rathyatra Varansi Ph. 0542 - 2226903 / 3096892 e-mail - AlokSingh@birlasunlife.com	**Birla Sun Life Insurance Co Ltd.** Cross Roads - The mall 2nd Floor, Bank Road Gorakhpur
Birla Sun Life Insurance Co Ltd. Somdutt Towers, 7th Floor Sector 18 Noida 201301 Ph. 0120 - 2517121 / 25 Fax. 0120 – 2517126	**Birla Sun Life Insurance Co Ltd.** Shalimar Square, 1st Floor 126, B. N. Road Opp. Punjab National Bank Lalbagh Lucknow 226001 Ph. 0522 - 2294186 / 4394 Fax. 0522 – 2294186

BUSINESS AND SOCIAL OBJECTIVES:

When LIC was formed in 1956 through the amalgamation of 225 private companies, its business objectives complemented its social objectives. The main objective is to spread life insurance to every nook and corner of the country especially rural areas, to socially and economically backward classes and provide them reasonably-priced financial cover

against death. Other objectives include encouraging people to save for the future by making insurance-linked savings more attractive and secure. The funds created are then utilised and invested for nation building. The insurance business is conducted with the full realisation that LIC is only a trustee of the insured public and priority is given to meet the needs that arise due to change in the social and economic environments. Even today after 50 years, the core value of social commitment has not changed. What have changed in recent times are customers' expectations and the environment in which the life insurance sector operates. This is due to globalisation, which has opened up the insurance sector to private players.

IT FOR INSURANCE:

IT policy flows from the business and social objectives. IT usage covers all business activities of the organisation. This includes finance, investment, product development, actuarial, underwriting, customer relationship management, marketing, policy servicing, human resource development, office servicing, and estate management. IT's role is not to automate processes. Rather, it is a strategic tool to simplify procedures and revamp processes. This helps create a very efficient customer service management system. It not only provides anywhere, any time service, it also provides greater accountability, transparency and responsiveness in all business processes. In today's world, IT is a must for any industry to keep pace with the customer's changing expectations. This is especially relevant in the service industry. The insurance sector has to ensure that the technology it chooses does not lag behind where customer expectations are concerned. In

our case, LIC has more than 16 crore policy holders. So it has to induct the best IT products available and use them to cater to the needs of the customers and deliver anywhere any time service on demand and to add value to its new products. The trust and the goodwill of the customer gained in the last 50 years have to be consolidated by making all activities more customer-focused.

For instance, LIC has a corporate Web site to provide information on products, services, policy status, grievances and premium calculator. Other facilities include touch-screen information kiosks at central locations to provide 24 x 7 inquiry services to customers. Info centres are set up at major cities to provide call centre type services. Alternate premium payment channels like ECS, Internet payment gateways as well as ATMs of major banks are also available. Push services like premium alerts and product information have been also been started through SMS.

A CUSTOMER-CENTRIC FOCUS:

As all the activities of insurance sector are customer-centric, any new technology implemented or process developed needs to be customer-focused. It is necessary to look at any IT implementation from the customer's perspective. This approach ensures that the technology's benefits and convenience are passed on to the customers. The implementations should help customers minimise their effort in dealing with LIC and allow interactions and transactions from the comfort of their home or office anywhere and any time. Facilities exist to pay premiums and get information on policies online; however, there is a need to enhance the online service to

include settlement of claims, policy surrender, distribution channel management and policy dockets. There is a need to acquire CRM tools for better understanding of customers and their buying patterns. There is also a need to redesign business processes and centralise non-core functions, provide real-time processing, to have sound security policies and conform to international standards.

Initiatives to be implemented in the near future include Web portals dedicated to customers, sales intermediaries and employees. The process is afoot to set up a premium payment gateway for collecting insurance premia over the Internet as well as an online data store at a central level to make data available to requesting applications for online real-time transactions. This will provide MIS reports and help us deploy analytical and operational CRM. Putting a document management system in place will eliminate the need to reference physical records and create the capability of extending anywhere, any time service to settle claims and other similar activities by using a repository of document images. Another aim is to conduct network audit, information security audits and achieve BS 7799 standards. The feasibility of a BI solution from business objective and customer perspective is also being considered. Already the proper providers, technology and models are being considered as a precursor to a BI initiative. Work is also going on for a payment gateway, which works both ways-payments and receipts, so that the customers can get their payments wherever they require.

The insurance sector has to work with huge amounts of data on a daily basis through nationwide networks. There is a growing need to provide

real-time services and transactions to customers. Hence the dependence of the business on IT will keep growing. IT implementations will also have to be upgraded to align them with growing customer expectations and market needs which will, in turn, drive business objectives. Only those IT implementations that suit business needs and add value for customers will be adapted. The customer should be the principal beneficiary of any technological or business process initiative. It is necessary to see things from a customer's perspective and only those technologies will be adapted which bring the organisation closer to the customer, which make the customer trust the organisation, which are user-friendly and convenient for the customer.

Insurance in modern form originated in the Mediterranean during the 13th century. The earliest references to insurance have been found in Babylonia, the Greeks and the Romans. Marine insurance is the oldest form of insurance followed by life insurance and fire insurance. Life insurance activity in its modern form started in India in 1818 to provide for English widows when oriental life Insurance Company was incorporated at Calcutta, followed by Bombay Life Assurance Company in 1823 and Tritron Insurance Company for General Insurance in 1850. Insurance regulation formally began in India through the passing of two acts, the Life Insurance companies Act of 1912 and the Provident Fund Act of 1912. However the first comprehensive legislation was introduced with the Insurance Act of 1938 that provided strict state control over insurance business in the country.

After independence, the business of India Insurance grew at a faster place as competition amongst the Indian companies intensified. The decision of nationalization of life insurance business took place in 1956 when 245 India and foreign insurance provident societies were first merged and then nationalized. It paved the way towards the establishment of Life Insurance was to raise the much needed funds for rapid industrialization and self-reliance in heavy industries. General Insurance followed suit and 1968; the Insurance Act was amended to allow for social control over the general insurance business. Subsequently in 1973, non-life insurance business was nationalized and the General Insurance Business (Nationalization) Act, 1972 was promulgated.

PENETRATION OF INSURANCE SECTOR IN INDIA:

Insurance is a Rs. 400 billion business in India's and together with banking services adds about 7% to India's gross domestic product (GDP) gross premium collection is about 2 percent of GDP and growing between 15 and 20 percent per annum. India also has highest number of life insurance policies in force in the world. Yet more than three fourth of India's insurance population has no life insurance cover the penetration of insurance is very low in India the following indices support this contention. While per capita insurance premium in developed countries is very high, it is quite low in India per capital insurance premium in India in 1999 was only $8 while it was $ 4800 for Japan, $ 1000 for Republic of Korea, $ 887 for Singapore, $ 823 for Hong Kong and $ 144 for Malaysia. The insurance Premium as a Percentage of GDP was 14% for Japan, 13% for south Africa, 12% for Korea,

9% for UK and less than 2% in India in 1999 Similarly the insurance Premium as a percentage of Gross Domestic saving (GDS) was 52% for U.K, 35% for other European and American countries, it was only 9% for India in 1999 The share of India in the World market in terms of Gross insurance premium is again very limited. For instance, While Japan has 31%, European Union 25%, South Africa 2.3%, Canada 1.7% share of the global insurance premium, it is only 0.3% for India.

INSURANCE SECTOR - HURDLES:

The insurance industry has been growing between 15 and 20 percent, but it lags for behind its global counterparts. This was due to the following reasons. .

- Insurance companies create products and go out to find customers. They do not create products that the market wants.
- Insurance awareness among the general public is low.
- Term- Insurance Plants are not promoted.
- Unit -linked assurances are not available.
- Insurance covers are expensive. Inefficient management and low investment yield are responsible for the high premium charged by Indian Insurance companies Investment restrictions have been responsible for low yields.
- Returns from Insurance Products are low.
- There is a dearth of innovative and buyer-friendly insurance products.
- Most agents and development officers are interested only in producing new business, servicing existing customers satisfactorily has not been

a priority for them the obvious reason to this is that incentives are based on new business generation and not on satisfactory serving of existing customers. It is surprise to note that more than 10% of LIC policies are surrendered or get lapsed every year.

- There is no market research worth the name and computerization is woefully inadequate.

CENTRALIZATION IN METROPOLITAN CITIES OF FOREIGN INSURANCE COMPANIES:

There are 14 foreign insurance giants working currently in India. Their emphasis is to gain maximum profit or to capture maximum market share to achieve this goal they are adopting the strategy to open new branches in metro cities rather in rural cities or B or C grade cities. The customer of metro cities are more cash rich and they give more business to these companies rather than the customers of rural areas because the customer of B or C grade cities are not fully aware of these companies or their products. The main reason for this behaviour is that the foreign insurance companies are aggressive in selling the products which are generally equity linked. The common people of rural areas generally do not understand these products, whereas the customer of metro cities are fully aware of these products. The foreign insurance firms had a little choice considering that they had to grab customer attention for their brand and products. More over they had to wean them away form the state owned insurers, mainly the LIC and GIC. The hard work is paying off to establish more branches in metro cities. For

the first time since India's insurance industry opened up in 2000 the numbers are looking up.

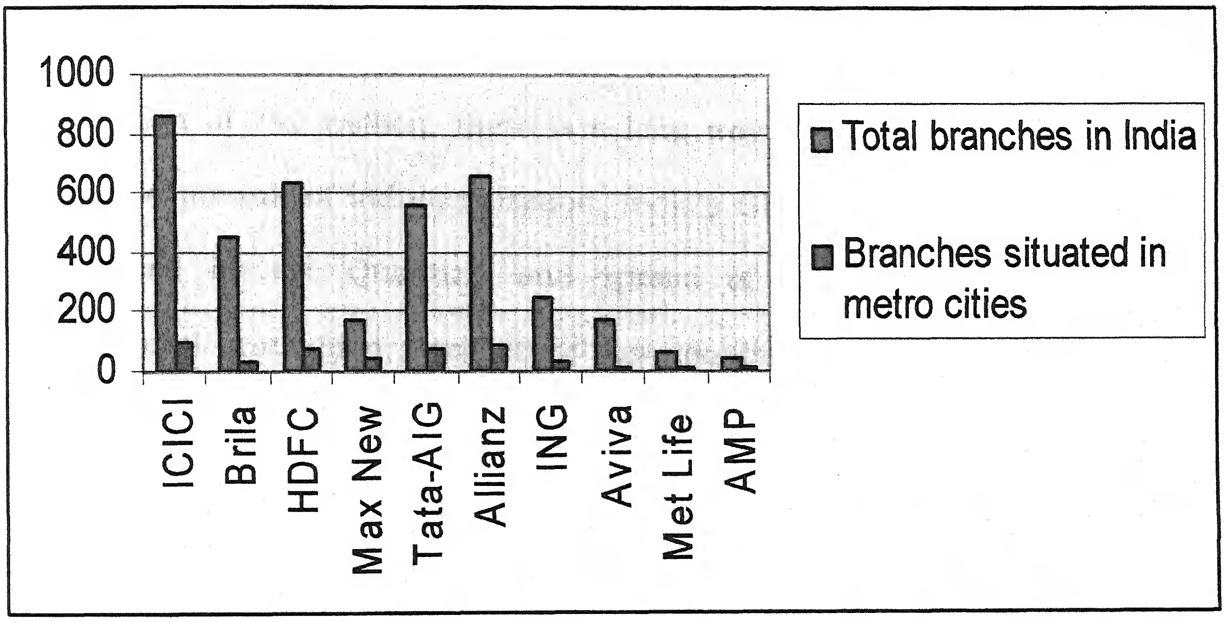
In December 2000, foreign delegates representing the financial services industry at the Indian Economic Summit in New Delhi had reckoned that over the next five years, private insurance companies would secure 5% of the Indian market. But by November 2005, 14 private life insurers had captured about 34% of the market. Private non-life players, fewer in number, had secured a 26% market share. These are possibly the fastest growth rates private insurance players have seen in any part of the world. In India, it can only be compared with the aviation industry, where in 10 years private firms have grabbed about 50% of the market. Total life insurance premiums grew by 41% to nearly $8billion in the financial year upto 2006. Non-life premiums grew 16% that year to about $4.5 billion. In the past year alone private life insurer posted a whopping 85% growth in premiums collected at $2.23 billion. In the non-life sector private player beat the industries 16% growth with nearly 27% at $4.4 billion in premium collected. Thanks to the strategy adopted by these foreign insurance giants to open more and more branches in metro cities because the large portion of premiums collected by these companies comes from these metro cities.

Table no.18

Company	**Total branches in India**	**Branches situated in metro cities**
ICICI Prudential	864	96
Birla Sunlife	449	37
HDFC Standard Life	632	73

Max New York Life	176	38
Tata-AIG Life	559	77
Allianz Bajaj Life	653	81
ING Vysya Life	252	27
Aviva	176	13
Met Life	65	11
AMP Sanmar	44	15

Diagram : 9



NEED TO GO RURAL INSURANCE:

Rural India is an enigma. Everyone sees it as a cornucopia of opportunities, whether for marketing consumer electronics, textiles and garments, personal care products or financial services. Given the sheer vastness in size, whether by way of the number of villages to be covered or the inhabitants to be targeted. It is too alluring to ignore by any marketing executive.

Yet when it comes to execution, or actual penetration of rural markets, there is certain sense of ennui in the minds of marketers. There is a feeling of unfathomable difficulties, a great cultural divide that is difficult to bridge, and the costs and efforts too daunting to pursue the opportunity to its logical conclusion.

This is also true of life insurance. Take a look at the number of life insurance policies issued in the rural region and compare with the potential. LIC issued last year 3.7 million policies in the rural market for a gross sum assured of RS.25400 crore, and generated a premium of Rs. 910 crore.

Though impressive, given the potential as measured by the total rural population of 740 million, there is a long way to go. Despite decades of dogmatic pursuit of industrialization, India's GDP growth continues to be influenced by the Quantum and spread of monsoon rains and the agricultural production. Agriculture now constitutes less than 25% of the GDP, yet it provides 65% of the total employment. With rising farm incomes and the growing tertiary sector offering non-farm employment, rural India provides vast opportunities for life insurers.

SEGMENTING RURAL INDIA:

A major mindset issue in rural marketing, whether in the manufacturing sector or the financial services sector arises from the tendency to lump rural India under a single canvas. The dichotomous definition of rural and urban fails to capture the diverse market segments in rural India.

First, there are the vast number of villages, which are contiguous to urban areas and rapidly getting engulfed in the process of sub-urbanisation. This process has gained momentum during the past decade, especially in

villages near mega cities, state capitals and areas of green revolution. We now see several large villages with sizeable proportion of working force engaged in non-agricultural industrial employment adjoining major towns and cities. Such population is generally educated up to school level and beyond, with a fairly good knowledge of financial investment and insurance opportunities. Their average income level is high, ranging from Rs.20,OOO to Rs.200,OOO per annum.

Second, there are several villages that have seen rising rural prosperity and have become models of income growth. These are villages where green revolution has taken deeper roots, and the local infrastructure in terms of banking and credit institutions, healthcare system and roads and communication facilities have developed well. The Integrated Rural Development Plan initiated by the government in the decade of 70s has encompassed a large number of villages that have benefited from the implementation of District Level Credit Plans. Several villages covered by such schemes over the years have shown high-income levels in the range of Rs.30,OOO to Rs.500,OOO and they stand on the threshold of a major breakthrough in consumer spending. While awareness of insurance products in such villages is generally good, the insurers can quickly accelerate the level with some focused efforts.

Third, there are villages that have not joined the mainstream growth due to reasons such as inaccessibility, extreme levels of poverty and other socio-economic reasons. Most such villages are thinly inhabited, and receiving direct doses of development aid from state governments. These villages are becoming focal points for micro credit schemes and efforts by

non-governmental organizations to form self-help groups to steer the lending for productive purposes. The insurance awareness in such people may be low, but given a thrust with the help of organizations that cater to their needs, the level can be ramped up quickly.

PRODUCT NEEDS OF RURAL INDIA:

There is a strong bias in favour of long term saving products in the rural market. Endowment policies that provide avenue to receive a fixed sum assured at the end of a definite period, as well as standard money back policies that provide return of the accumulated saving at regular intervals are highly popular (as in the case of urban and metro markets also). Last year, 93% of the total number of policies sold in the rural market fall under this category. The average sum assured under an endowment policy was RS.66000.

Rural saving habits are oriented towards fulfilling specific objectives, such as celebrating a wedding, purchase of land, cattle or other farm assets, and building a general corpus. The preference is generally for long term saving on a secured basis, which insurance is able to fulfill.

Term insurance plans are generally understood in villages but not favoured for the simple reason that rural thinking is on the lines of receiving a tangible return on any investment made. A pure term plan where the premium is utilized solely towards covering the risk is perceived as an avoidable expense! However, this general aversion is more to do with lack of awareness building, and the absence of insurance intermediaries that can market pure term policies requiring payment of small amounts of premium.

This is borne out by the experience of SBI Life since it started offering pure term protection plan for rural lives as part of a group insurance scheme through the Regional Rural Banks (RRBs). The group insurance plan offers life cover up to Rs. 100,000 each at a uniform premium rate for all ages up to 60. Introduced at four RRBs in as many states through the network of about 100 branches, the scheme has received enthusiastic response, with more than 50,000 rural account holders enrolling to receive cover during a period of about three months. Most subscribers have chosen the maximum amount of cover available under the scheme.

This experience has reinforced the view that term insurance schemes can be popularized in rural markets provided the cover is made available without much paperwork and through a network of institutions that are active in providing rural credit. This also gives scope to introduce life insurance schemes that can be tailored to products made available through such rural institutions. As an example, insurance companies can design a simple plan offering life cover to customers who have taken any form of loan facility from the banking system, whether a short term working capital loan to raise crops, or a tractor or farm equipment loan to purchase farm assets that is repayable over a period. The term insurance cover could be offered as part of the loan, so as to guarantee repayment of the outstanding loan amount to the lender in the event of death of the borrower, and any surplus amount of insurance becoming payable to the family of the deceased. The facility would thus ride the underlying loan and be co-terminus with the loan period. The lender can be persuaded to finance the premium amount as part of the loan arrangement. Such a facility could considerably

accelerate the penetration of pure term cover in the rural market.

The product design in rural markets needs to provide flexibility to rural policyholders in the matter of periodicity and quantum of premium payment. Premium payment dates should generally be linked to the period when the farm produce is sold and the cash flow is generated. In the group term insurance plan that SBI Life operates for rural customers, the bank branches that administer the scheme have the flexibility to fix the premium payment date with reference to the peak cash inflow season for the farmers banking with the branch. For example, at branches that cater to customers in sugarcane growing belt, the annual premium due date is fixed around September at which time farmers receive loan disbursements for the sowing season for the crop, from which premium amount could be recovered without difficulty. Farmers joining the group insurance after the annual premium payment date have the option to pay the premium for a part period up to the next common annual premium payment date, and join the mainstream annual payment schedule at the next common date.

In saving schemes designed for rural households, there is need to build flexibility for premium interruptions to take place due to difficulties faced by the policyholder to pay the premium amount on account of crop failure or other genuine reasons. In such situations, the benefit of insurance cover should remain unaffected, by triggering a mechanism to automatically adjust the premium dues from out of the accumulated surplus available in the policyholder's account. Based on a tie up with rural lending institutions, it is possible to work out arrangements whereby a banking institution agrees to pay the premium dues promptly on the due

dates by debit to the farmer's loan account, and mark an automatic lien on the insurance proceeds as security for such financial accommodation.

An important emerging requirement in the rural market is life insurance policies that combine healthcare benefits. With rising awareness in rural households of the need to save money to meet unforeseen medical costs, there is considerable potential for healthcare plans that combine saving or pure protection plans. Insurance companies in the life and non-life segments that come up with credible and convenient policies that cater to this need can expect large sales volumes.

DISTRIBUTION CHANNELS:

It is perhaps a cliche that successful insurance marketing depends on the effectiveness of the distribution channel employed. A lot has been mentioned about the role of various delivery systems in rural milieu like individual ('barefoot') agents, primary cooperative societies, regional rural banks, post offices, and non-governmental or voluntary organizations.Life insurance companies would however need to deal with a few key operational issues while setting up one or more viable channels in the rural markets.

First is the time and effort involved in identifying reasonably efficient and reliable distribution channels in rural areas and putting them on board after the requisite education, training and other orientation. The task of planning and execution would normally require considerable executive time and effort. While individual agents have been the most effective medium in selling life products there could be practical difficulties in finding the right type of candidates and in good numbers to arrange tlie insurance training and certification.

There are however new solutions emerging in this respect, thanks to the initiatives taken by a few state governments. In Andhra Pradesh, for example, the state government has offered to collaborate with insurance companies to identify and train educated unemployed rural youth to be groomed as insurance agents. The government has tied up with youth hostels in various parts of the state to provide lodging and boarding facilities at the cost of government to such candidates assembled for the purpose of imparting the mandatory training with the support of insurance companies interested in them.

Secondly, life insurers in the rural regions need to ensure that there are effective systems to keep a watch on the performance of agents, and particularly on customer service aspects. Most rural customers sign proposal forms in the local language, which needs to be accompanied by declaration by the agent that the product features have been explained properly and the proposal information as told by the proposer has been faithfully recorded.

An early difficulty in completing proposal documentation in rural areas is the possibility of lack of age proof. Depending upon the circumstances and the level of risk assumed insurers would have to find spot solutions, such as the age (instead of date of birth) being certified by the village headman, local bank or any other institution.

There is also need to introduce tight systems in other aspects of customer service such as premium collection and prompt remittance. Commercial bank branches in rural areas in the past had some unsavory experience in employing agency force to popularize their small saving

schemes. There were instances of agents misusing funds collected from unwary subscribers in the absence of vigilant local supervisors. Often the insurance companies would come to know of such instances only after some delay, leaving scope for considerable damage.

Another area of challenge in rural marketing and dealing with distribution channels is the need to provide sales literature, publicity materials and even proposal forms in local language to attract rural customers. This may involve multiple efforts by insurance companies depending on the geographical area where they undertake marketing.

Then there are issues concerning medical infrastructure to complete medical tests of proposers. The standards of medical tests even where acceptable institutions are found in rural areas will not match those to which the insurers are accustomed to in the urban centres. Again, depending on the sum at risk and other relevant aspects, insurers need to find practical solutions.

While volumes in rural market can be alluring, it would take time to reach scale economies. Insurance companies need to be mindful of the fact that individual rural transactions could be numerous but small in size. There would be need for proper accounting and banking arrangements to pool the collections without substantial opportunity costs being incurred by the insurer.

Fortunately, the rapid improvement in telecommunication facilities in the rural areas can aid such managerial control and systems. It is now possible to get the marketing data transmitted from many of the remote villages to the nearest town on a real time basis.

The growing involvement of rural institutions such as the gramin banks and cooperative banks to take up insurance distribution as a fee-based activity is also helping insurance companies as a powerful force to find innovative solutions. Though the village banks are not computerized at most centres, they have reliable internal network to relay data promptly and remit the amounts collected. SBI Life has the pleasant experience that several gramin branches provided information on members admitted to group insurance schemes in the Excel format reports prepared by the village branch staff in stand-alone computers! Such reports could be readily uploaded to the main data system at the insurance company's office.

In the ultimate analysis, rural marketing of insurance is about penetration, education, access and affordability. They may appear daunting, but innovative solutions can be found in our country where the rural economy is the backbone and the insurance prospects are too alluring to overcome such challenges.

CHALLENGES AHEAD:

- While in the early fifties, nationalisation of life insurance was a priority, exactly fifty years later liberalisation became a priority in the context of the changing global scenario, and private sector was allowed entry into insurance sector in October 2000.
- The liberalised life insurance industry, if not immediately, will certainly be looking at the rural sector not only from the regulatory compliance perspective but also from the social commitment and business development perspective.

- In India, about 26 % (27 % in rural and 23 % in urban area) of the population is below the poverty line. The poverty line varies from state to state and is revised periodically; the current all India income level for poverty line being about Rs 400 p.m. in the rural area and about Rs 550 in the urban area.
- When it is considered extending the life insurance cover to the best extent possible to the rural population, one needs to bear in mind the nature of life insurance products. An individual life insurance policy requires sustained premium payment over a period ranging from say 5 years to 25 years or more and it would generally not be possible for people with low and irregular incomes to take and maintain individual life insurance policies. Even if individual life insurance policies are sold to such people, those would result into early lapses involving losses to both the individual policyholders as also to the life insurer because of high initial expenses. Further, every insurance product needs to have a certain minimum premium so as to cover the fixed per policy expenses. For products which are developed exclusively for people with low income levels, life insurers fix the minimum premium / sum assured in such a manner that while the product is affordable to the people for whom it is designed, the product does not cause loss to them. Such minimum premium/sums assured, even with the best of intentions, sometimes take the premium beyond the means of people with low-income levels.
- With a view to ensuring that the rural population does get the benefit of life insurance in the best possible way, the rural population needs

to be divided into two parts, viz. those who can afford individual life insurance and those who cannot.

- The IRDA (Obligations of Insurers to Rural and Social Sector) Regulations 2000, do specify "Rural Sector", "Social Sector" and "Unorganised Sector" with the "Social Sector" and "Unorganised Sector" including economically vulnerable or backward classes and other categories of persons, as also those living below the poverty line, both in rural and urban sector. Thus the "Social Sector" and "Unorganised Sector" include both the urban and rural underprivileged who cannot afford to take individual insurance policies. The regulations, therefore rightly require the insurers to provide low cost life insurance cover to such people. This is envisaged to be provided through one year renewable group term insurance.

WAY FORWARD:

In the context of what is outlined herein, it would appear that for the life insurance industry operations, the population could be divided into three parts, viz.:

- Population, both urban and rural, that cannot afford to take individual policies;
- Rural population that can afford to take individual policies; and
- Urban population that can afford to take individual policies

The rural and urban population that can take individual policies have been identified separately since the marketing of products, the methods of distribution as well as the product profile for this population may have to be different.

The anticipated growth rate of income classes of urban and rural population, as per the recent NCAER studies, is tabulated herein:

Table no. 19

Income group	**Urban 2001-02 to 2006-07 %**	**Rural 2001-02 to 2006-07 %**
Low	26.5	6.9
Lower Middle	9.2	3.4
Middle	2.5	13.4
Upper Middle	13.0	5.9
High	15.9	14.3

Diagram : 10

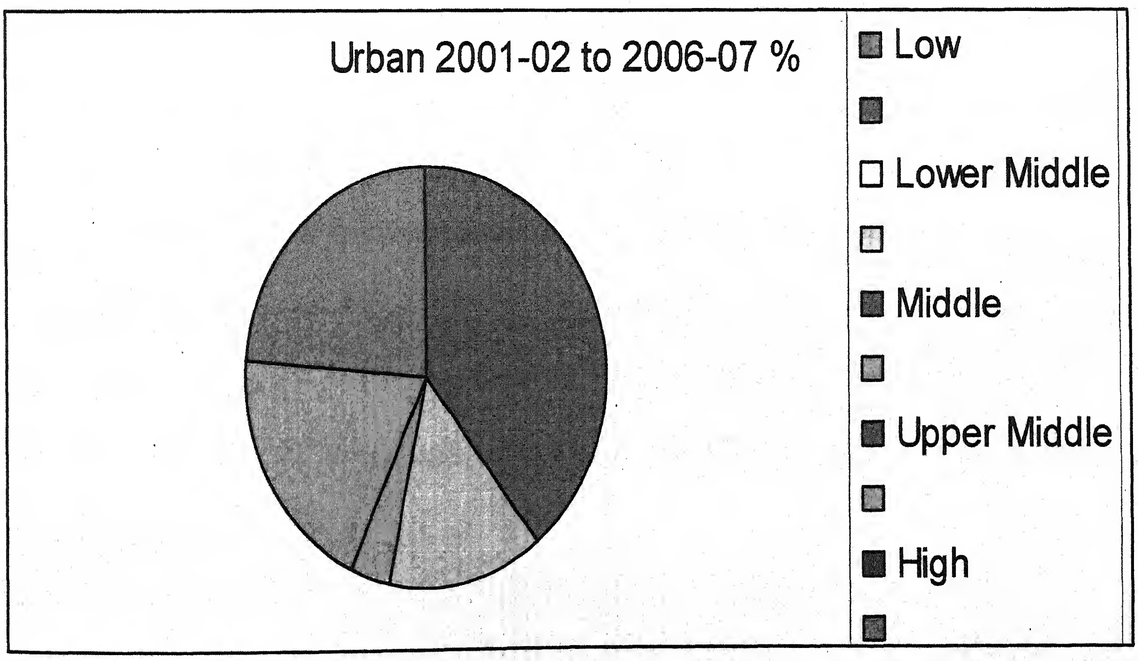
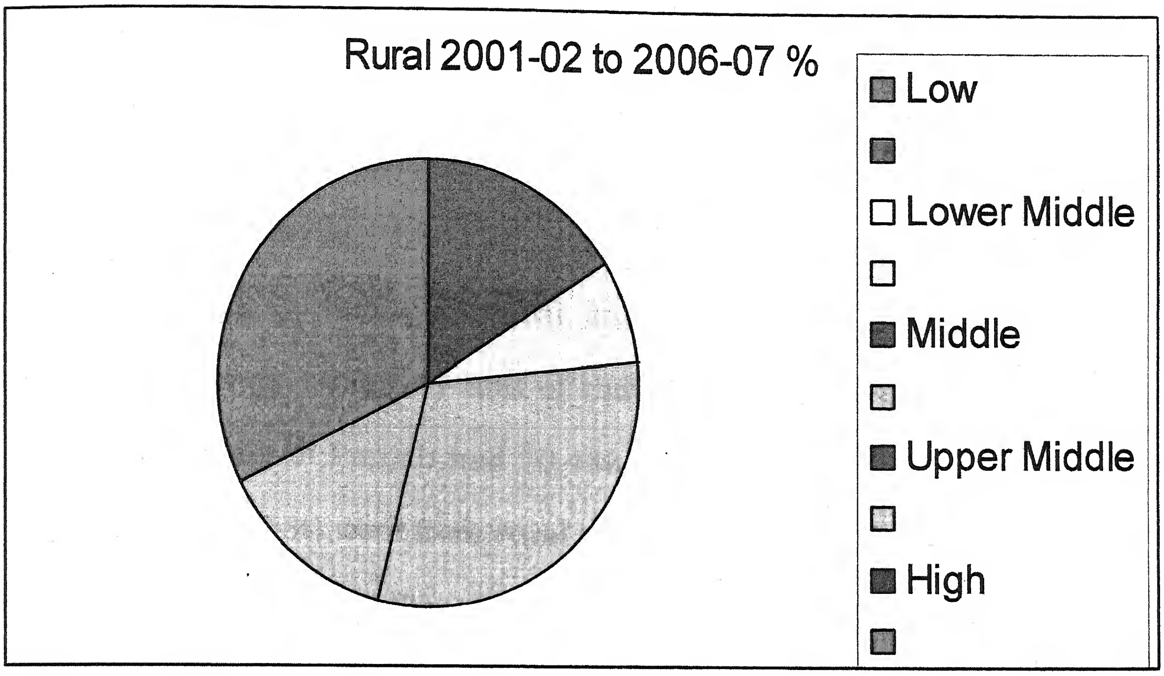


Diagram : 11



It will be seen from this that there is expected to be substantial growth in the income of rural population. The 'Low' income group, both urban and rural, is expected to shrink in size, though the rural 'Low' income group would be shrinking at a much lower rate as compared to the urban rate. However, the 'High' income group, both urban and rural, is expected to grow practically at the same rate. This will contribute to the increase in savings and these increased savings will have to be suitably channelised to the suitable savings instruments that would provide safety, good returns and flexibility for the rural needs. Life insurance, while providing all these attributes, also provides cover against the risk of dying too soon as also the risk of not dying soon enough and has a significant role in the life of rural population.

The study conducted by NCAER of Super Affluent Indian Consumer, 2001, reveals some interesting aspects of rural affluence. In India there were 10,58,961 households having income of more than Rs 5 lakh per annum of which 2,52,832 households were in the state of Maharashtra, with Mumbai having 1,58,736 and Pune 27,676 households in that category. Thus excluding Mumbai and Pune, Maharashtra had 66,420 households in this category and of that 31,971 (48.1 %) were from rural places. The state of Punjab had 70,438 households in this category and of this 36,418 (51.7 %) were from rural places. This is an index of affluence in. the rural area. Further, these families were likely to spend more on leisure and entertainment activities than on future looking investments with the desire to disassociate themselves from their roots and move up to the hallowed ranks.

The life insurance industry has significant opportunity - both from the social commitment perspective and business development perspective to make the rural community see life insurance as a product that could be an answer for their adversities. If this has to happen three aspects need to receive very careful consideration; the product profile, the marketing strategy and the distribution strategy.

Branch Expansion: Marketing Approach

'Rural Insurance Business - Potentiality and Marketing', a study conducted at the National Insurance Academy has indicated that the rural population could be grouped into agriculturist and non-agriculturist on the basis of their major occupation; the agriculturists constitute 74 % and the balance

non-agriculturists. The study has further observed that in the agriculturist group 5 % were in the high-income group, 73 % in the middle-income group and 22 % in the low-income group. In the non-agriculturist group 19 % were in the high-income group, 59 % in the middle-income group and 22 % in the low-income group. An evidence, that in the rural area the middle class is emerging as the largest class. This income profile has a large bearing on the marketing strategies. .

In the rural area, by now there is some general awareness about life insurance but the perceived need is generally low. The marketing efforts will have to focus on increasing the awareness and knowledge level about life insurance and creating the need for life insurance. This could be done through group meetings, as opinion makers drive the masses, radio features and cultural events like folk dances and songs, puppet shows, etc. Peer buys, perceived increase in status by certain buys and family compulsions have very high influence on the buying behavior of the rural people.

It was recently reported that LIC, like the MNCs, had devised separate marketing strategies for the urban and rural.

DISTRIBUTION:

An individual agent channel could be the most potential channel for distribution for some time to come. The rural population has greater 'herd' mentality. The opinion makers drive the masses and the word of mouth is the most powerful communication channel for this.

The most potential agencies could be the extra departmental postmasters, if they are allowed to work as life insurance agents for private sector life insurers. LIC already has a permission to appoint extra

departmental postmasters as life insurance agents. The others could be the fertiliser dealers, seed dealers and other suppliers of agriculturist's needs in the rural area.

In 1963, the Insurance Rules were amended to permit co-operative societies and panchayats to act as 'service-cum-collection agents'. The LIC Agents' Regulations 1972 did provide for these institutional agencies yet these did not take roots. In the context of the emergence of multi-channel distribution environment, the regulatory authority may consider allowing these institutional agencies to distribute insurance products as these institutions have great influence on rural population and could be very effective. The co-operative banks in the rural area could also usefully adopt the referral model.

The group life insurance could be distributed through the nodal agencies for different occupation groups, micro credit agencies and co-operatives.

These are just a few suggestions and more such avenues could be explored when the work is taken up in a dedicated manner.

RURAL INSURANCE -PERFORMANCE OF INSURANCE COMPANIES:

State run companies

Life Insurance

Rural Sector

The percentage of rural business to the total business both in terms of number of policies as well in terms of the sum assured, is provided for the years 1994-95 to 2000-01in tabular form.

Table no.20

Table Year	Policies (in Lakhs)			Sum Assured (in Rs. Crores)		
	Total	Rural	% to Total	Total	Rural	% to Total
1994-95	108.75	49.02	45.1	55228.50	21571.00	39.1
1995-96	110.21	52.27	47.7	51815.54	21263.59	41.0
1996-97	122.68	60.33	49.2	56740.50	24278.73	42.8
1997-98	133.11	68.40	51.4	63617.69	27550.69	43.3
1998-99	148.43	81.23	54.7	75316.28	35372.94	47.0
1999-00	169.76	97.04	57.5	91214.25	44168.79	48.7
2000-01	196.56	35.34	18.2	124771.62	17955.88	14.6

From the table inference is drawn that there is a substantial increase in the number of policies as well as the sum assured from 1994-95 to1999-2000. But during 2000-01 perceptible decline in the number of policies as well as the sum assured pertaining to rural areas can be seen. This is due to the new definition adopted by IRDA, which is discussed later. As per the definition used earlier percentage of rural business during 2000-01 would have been 55.53 percent in respect of new policies and 47.76 percent in respect of sum assured of the total business.

The growth rates of individual assurances in rural, urban and total new business between 1994-95 and 1999-2000 is given the following table.

Comparative growth rates of individual assurance in rural, urban and total new business

Table no. 21

	Growth rate in Number of Policies			Growth rate in Sum Assured		
	Total	Rural	Urban	Total	Rural	Urban
1994-95 to 1999-2000	9.3%	14%	4%	11%	15%	6.9%

In Table the growth rates up to 1999-2000 since after that the definition of rural areas has changed as per IRDA regulations. It is found from the Table , that the rural business has grown much faster than the total business as well as urban business, both in terms of number of policies and sum assured during the period, 1994-95 to 1999-2000. It is observed that the rural business had a compounded annual growth rate of 14 percent in terms of number of policies and 15 percent in terms of sum assured which is significantly higher than the urban business, which is 4 percent and 6.9 percent respectively. LIC has also prepared a compact disc listing about 8 lakh villages in the country, which satisfy the IRDA definition of "Rural" and has circulated it to all insurers. Recently, LIC has embarked on a scheme called "Bima Gram Scheme", for expanding its operations in rural areas. It is presently engaged in the process of identifying- villages with a minimum population of 5000, in consultation with the Integrated Rural Development Agency in the relevant district.

SIZE OF THE RURAL MARKET:

The rural population as percentage to total population has been steadily declining at an average rate of 2.5% in every decade since 1961.

Table no. 22

Census year	Rural Population (in crores)	Total Population (in crores)	% of Rural Population to Total Population
1961	36.03	43.92	82.0
1971	43.90	54.81	80.1
1981	52.38	68.33	76.6
1991	62.87	84.63	74.3
2001	74.17	102.70	72.2

Though percentage wise rural population has declined from 82.0 to 72.2 in 40 years; in absolute volume the rural population has grown from 36.03 crores to 74.17 crores i.e. by nearly 105.86%. The growth in rural economy during the period has been phenomenal. In the decade 1981-1991 GDP from rural areas has grown at a pace almost equal to growth in total GDP. In absolute terms Rural GDP has increased from Rs. 65,000 crores to Rs. 2,60,000 crores, a four fold increase. In fact the size of the rural market in the growing economy has expanded much faster than the urban market. As per RBI estimates, in the year 1997-98 the Rural GDP constituted 50.35% of the total GDP i.e. one half of India.

More important is the fact that the share of agriculture in GDP has declined from 39.65% in 1980-81 to 32.91 % in 1990-91 and then to 27.86% in 1996-97. Thus the traditional equation between the rural population and agricultural income is fast changing. If we take into account the increasing urban rural connectivity, we find that the basic nature of rural economy and the rural market has undergone a fundamental transformation.

DIFFICULTIES IN OPERATION OF RURAL BRANCHES:

Financial Institutions in general and Life Insurance Companies in particular are expected to face a number of hurdles in expanding to rural market.

- Accessibility to rural India is relatively difficult and it increases cost of operations.
- Income in rural areas are seasonal and is directly dependent on cropping pattern and monsoon.

- Per Capita Income is lower and the insurer will have to maintain large number of accounts without high income.
- Traditional rural psyche to invest in gold and physical assets and the rural need to invest in improvement in agrarian land competes with the need for investment in financial assets.
- Rural population at high and middle-income brackets tend to migrate to urban area.

STRATEGIES NEEDED FOR EXPANSION IN RURAL MARKET:

In order to reach the rural market the insurer needs to fine-tune its marketing strategies to suit the needs of the rural populace. Some of the important ones are:

- Change in mindset to look to rural insurance as an opportunity rather than an obligation.
- Introduction of flexible products to suit the needs of rural market.
- Cost effective distribution system.
- Mass marketing through micro credit organisations.
- Augmentation of technology for effective low cost servicing of policies.

NEED FOR LIFE INSURANCE IN RURAL INDIA - AN OPPORTUNITY:

For the purpose of this analysis, it is assumed that the GDP (at current prices) of rural India is Rs. 10.5 Trillion i.e., 50% of India's GDP. Based on this assumption, a conservative estimate for the total life insurance need for the population of rural India alone should be at least Rs. 21 Trillion. The

total income of rural households, estimated from Table 1, is Rs. 3.8 Trillion in 1995-96. Taking a multiple of five, the total estimated life insurance need in rural India was Rs. 19 Trillion in 1995-96. Considering an increase in income at current prices, the present total need will be significantly higher. The total life insurance cover provided by all the life insurance companies in India at the end of FY 01-02 is less than Rs. 10 Trillion. It can be reasonably assumed that only a small proportion of this provides protection to people in rural areas, as defined by the census. Therefore, the gap in the current need of life insurance for rural India is not less than Rs. 18 Trillion.

The truism that almost every Indian is either uninsured or underinsured is even more true in the context of rural India.

The life insurance need will further grow with the growth of the rural economy. Therefore, this unfulfilled need for life insurance in rural areas offers a tremendous business opportunity for the Life Insurance Industry in India.

THE TASK AHEAD:

The present availability of life insurance in rural India is estimated to be Rs. 3 Trillion compared to the need of Rs. 21 Trillion. If the need grows at a conservative rate of 6% a year, then life insurance business in rural area has to grow at an estimated 17% a year for the next two decades to catch up with the projected need. If this is to be achieved, then the life insurance industry has to attract a higher proportion of household savings in financial assets, and also divert a part of household expenditure from gold and jewellery. The task ahead for the industry is indeed stupendous.

PROBLEM OF RURAL MARKETING:

Marketing of insurance as such is a different ball game when compared to the marketing of tangible products and other services. Marketing in rural areas has its own share of problems.

- The foremost is the problem of distribution. The sheer size of the country and the spread of its myriad villages, compounded by poor connectivity and infrastructure make rural marketing a nightmarish experience.
- A high incidence of illiteracy in rural areas poses unique problems in marketing of insurance. The worldwide experience suggests a high degree of correlation between literacy and insurance awareness.
- The poverty of rural India and the struggle of rural people to manage two square meals and other bare necessities of life make it unthinkable for them to afford insurance. As it is, insurance (security of life and possessions) ranks very low in the Maslow's Hierarchy of Needs.
- Non availability of proper educated people in rural areas to be inducted in the insurance companies marketing force, who can relate better to the local population create better insurance awareness in rural areas.

Chapter-VII

INSURANCE INDUSTRY ON A CROSS ROAD

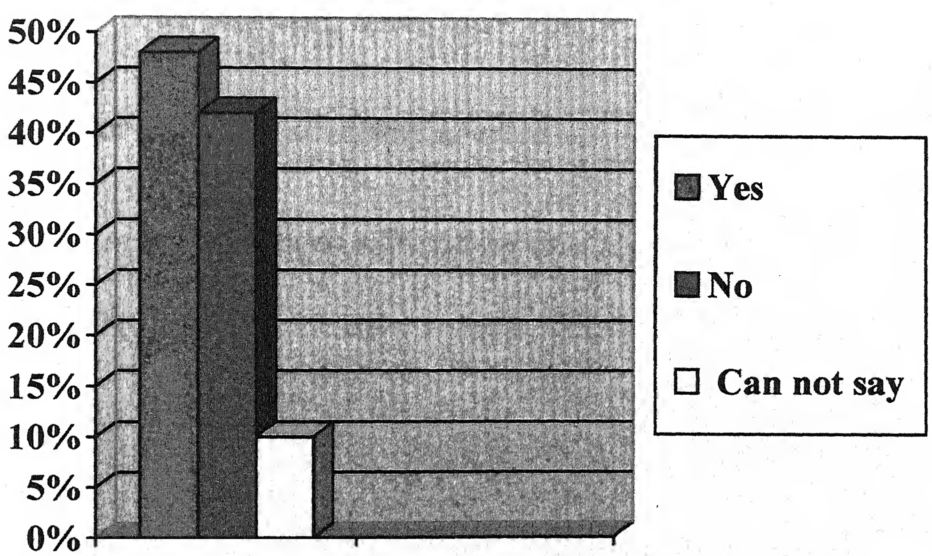
After 44 years of state monopoly in India, the life insurance industry has been opened to competition. Opening up of the insurance market is a legislative part of the process of liberlisation but another important part of this process is to evolve a competitive market that would promote the development of innovative and good value products and services and encourage good practices. Open and competitive markets are the best guarantee of a good deal for the customers.

The traditional base of the insurance companies (PSU companies) is intact.

(i) Yes -- 48 %

(ii) No -- 42 %

(iii) Can not say ---------------------------------10 %



The response indicates that the traditional base of the public sector insurance companies has been more or less remained intact. 48 per cent of the respondents have agreed to the proposition against the 42 per cent of the respondents who think otherwise.

The primary aim of any legislation and regulation is to protect the customers and so is the case with insurance legislation and regulation. Life insurance is a financial instrument used to manage risks in human life - the risk of dying too soon and the risk of not dying soon enough- and being a financial services industry, the insurance legislation and regulation aim at ensuring the financial viability of the insurer and ensuring that the customers get a fair deal.

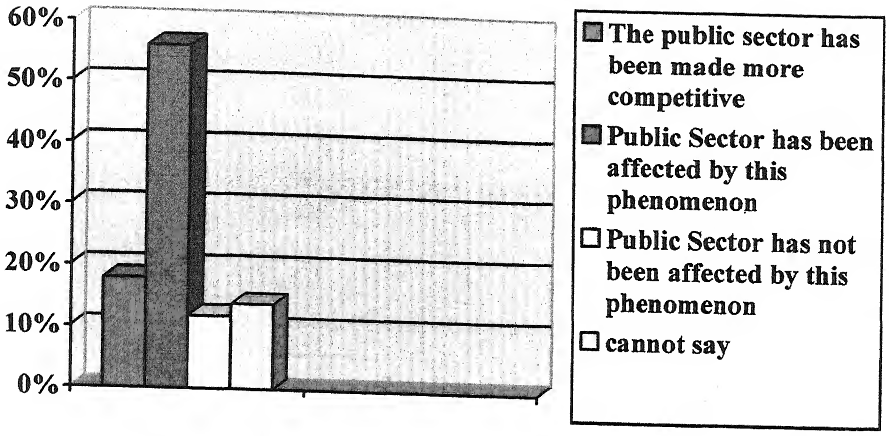
Affect on the public sector insurance companies due to private operationalisation.

The public sector has been made more competitive ------------------------ 18 %

Public sector has been adversely affected ------------------------------------ 56 %

Public Sector has not been affected by this phenomenon----------------- 12 %

Can not say -- 14 %



The above response suggests that with the increasing participation of the private sector insurance companies post liberalization, the profitability and trhe performance of the public sector insurance companies have been adversely affected. Despite the tall claims of the PSU insurance companies, the competitive character of these companies is not significant if we go with the response of our respondents.

REGULATORY ENVIRONMENT AND MARKET DEVELOPMENT:

If we trace the evolution of any regulatory environment, it will be seen that the regulations are initially minimal at the early stages of the market development and the regulations develop with the market, reaching a stage where the markets become highly regulated to respond to the market developments. Subsequent to this, when the markets reach an advanced stage the focus of regulation through the legislative and regulatory controls shifts to self-regulation. That, we find, is the shape of most advanced markets as the general experience has been that prescriptive regulation

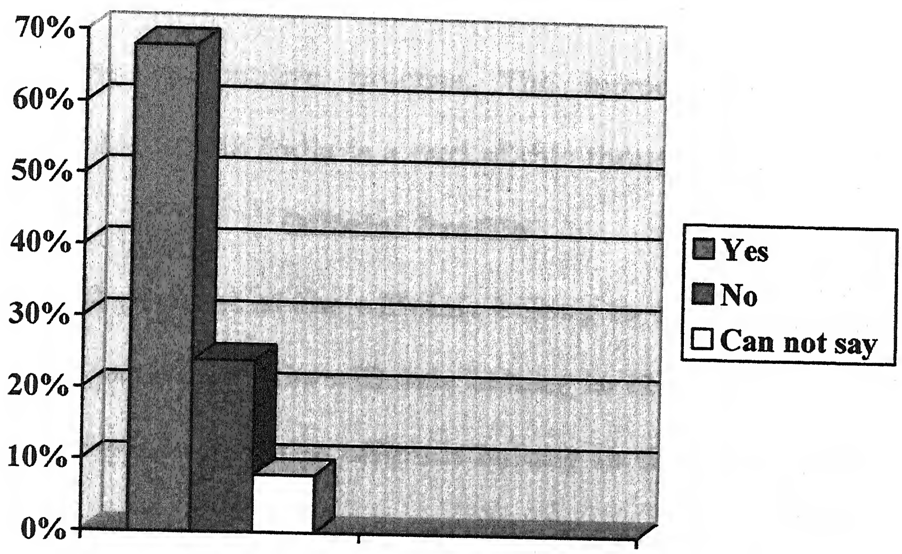
inhibits the development of the market and restricts the facilities and choice to the customers.

Technological growth facilitated the insurance companies in their density penetration.

(i) Yes -- 68 %

(ii) No --- 24 %

(iii) Can not say ------------------------------------- 08 %



Technology has helped the insurance companies in India to attract their customers and to maintain their customer base. 68 per cent of the respondents have agreed to this proposition against the 24 per cent of the respondents who do not support this view.

In the advanced markets, the regulations are normative in nature and self-regulation ensures that the best practices are developed and the customers

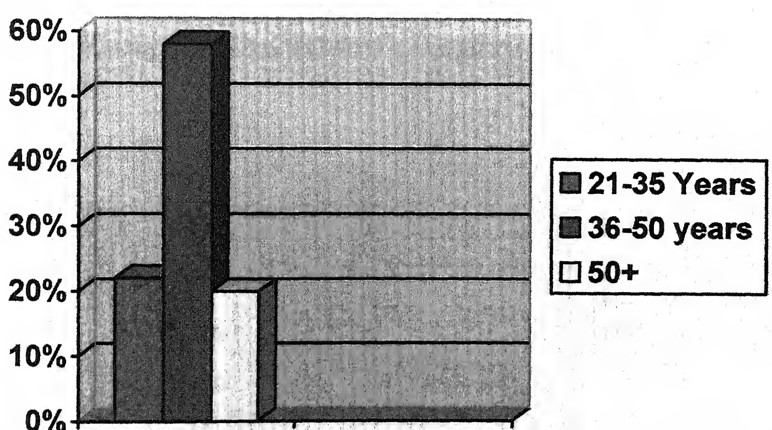
get the best deal. During the early stages of liberalisation in India, the then Insurance Regulatory Authority encouraged public debate to evolve consensus on the nature of regulations and the general consensus that appeared to have evolved was that looking to the local environment, the regulations should neither be too prescriptive nor too normative. We thus see that the regulations framed by the Insurance Regulatory and Development Authority (IRDA), as those now are, have been framed so as to regulate the industry adequately and at the same time allow enough freedom to the service providers. This would encourage innovation and foster free and fair competition but would be tough on those who seek to damage the competitive process. The introduction of the system of Appointed Actuary in India is a part of this thought process.

Official Profile

(i) 22 percent of the officials belong to the age group of 21 to 35

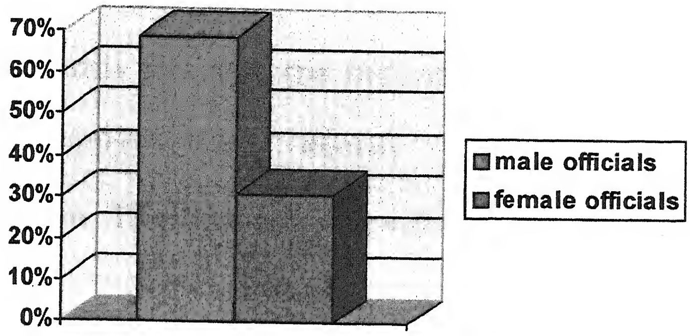
(i) 58 percent of the officials belong to the age group of 36 and 50

(ii) 20 percent of the officials belong to the age group of above 50



69 percent are male officials

31 percent are female officials



Official male female proportion

Education Level

72 percent are graduates and above

12 percent are those who are having technical and professional qualifications

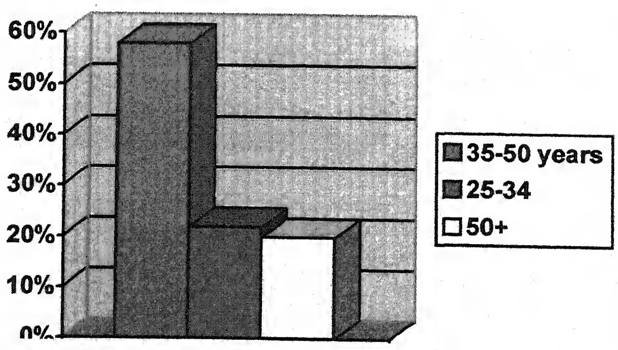
16 percent are undergraduates.

Nature of job

55 percent are those who are associated with the field

25 percent are those who are in the managerial and administrative posts.

20 percent belongs to the others category



CUSTOMER EXPECTATIONS AND BEST PRACTICES:

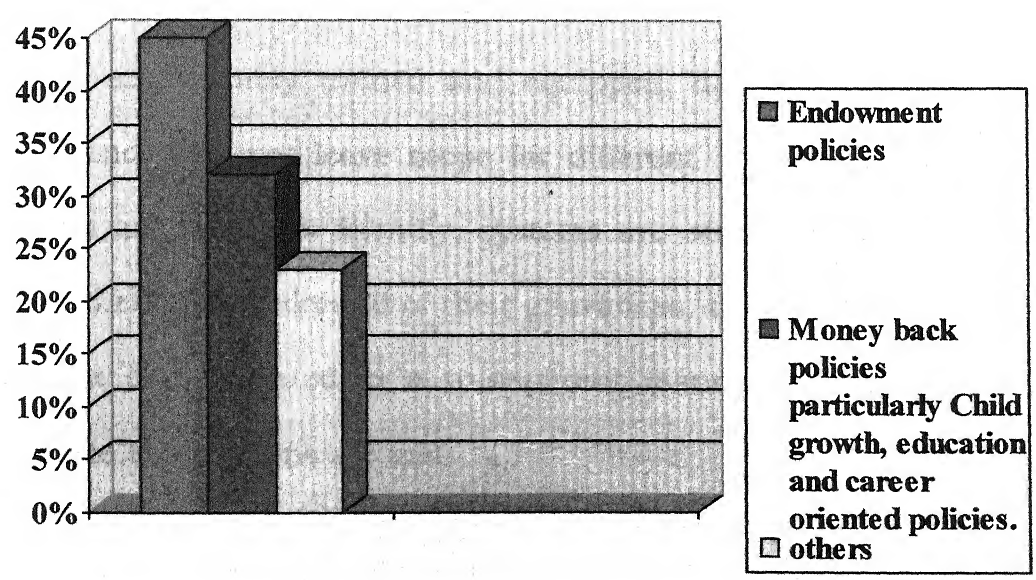
The customers today are knowledgeable and demanding. In order to take informed decisions, the customers need adequate information on products and services. To facilitate this process, the industry needs to take steps to ensure that the customers have access to comprehensive and comprehensible information. The best practices in the market place emerge out of this process.

The policies of the company that are favorite among the customers.

(i) 45 percent --------- Endowment policies

(ii) 32 percent---------Money back policies particularly Child growth, education and career oriented policies.

(iii) 23 percent -------------- others



Endowment and money back policies both are preferred by the Indian investors. But it is the endowment policy which is more preferred than the money back policy.

As a part of the best practice initiative, the industry may introduce standards, which underpin its commitment to give customers a fair deal. The standards may be based around three promises that the insurers may make to the customers on:

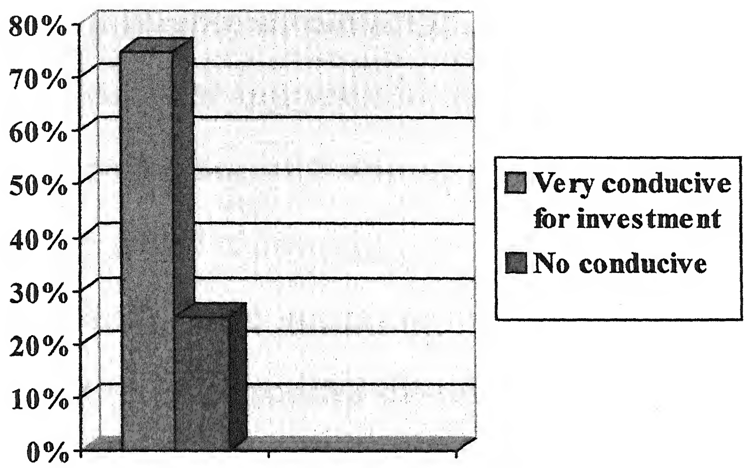
- Clarity and comparability of information;
- Appropriateness of the products purchased;
- Quality of service.

The general frame-work that could be visualised for evolving the best practices could be that the product design is not such as to affect the customers adversely, adequate information on products and services is available, the insurance advertisements follow certain norms, the delivery channels are suitably trained and equipped, documentation is customer friendly and does not leave scope for different interpretations, operations processes are customer friendly, systems are set up to help customers in quick and effective redressal of their grievances, the financial viability of the insurer is demonstrated in a transparent manner and the policyholders reasonable expectations are met.

The present scenario with regard to the insurance sector in India, from the investor's point of view

(i)Very conducive for investment ------------------------- 75%

(ii)Not Conducive for development ------------------------25%



The above response suggests that the insurance scenario of the country at the present is very challenging. The investment factor may be more to do with the traditional base of the insurance industry but in order to make the industry vibrant the sector needs to attract the customers and to maintain them.

PRODUCT DESIGN AND PRICING:

In life insurance there are risks that can be priced and there are risks that cannot be priced. In respect of risks that cannot be priced, the insurers adopt a cautious approach and make detailed enquiry to limit the risk before acceptance, such as the risk of accepting a proposal for a death benefit disproportionately high to the proposer's known sources of income. Yet there would be risks that are difficult to assess such as the risk of suicide. The risk of life assured taking a policy with an intention of

committing suicide lasts for a short period and as such the insurers accept the risk with an exclusion of death due to suicide during the first one/two years. Other such risks, are perhaps best not accepted as acceptance of obscure risks and specifying certain exclusions could lead to complications. A policy of life insurance should n0t exclude war risk or the risk of AIDS.

- The incidence of anti-selection is generally addressed by providing a waiting period but such waiting period may not be allowed to extend beyond a period of one year.
- The product design should be such as would treat all policyholders fairly, i.e. the new policies should not be required to subsidise the old policies or vice versa.
- If the industry adopts the policy of 'preferred lives', it needs to be ensured that the premium rates for the 'preferred lives' are such as do not lead to 'overcharging' the incoming policyholders who are 'not preferred lives'.
- Commission loading in .the premium should be based on the scale of commission or compensation payable to the agents/intermediaries.
- The traditional deferred annuity contracts involve long term interest rate and mortality guarantee and in order to reduce the guarantee the product design could provide for "open market" option, i.e. option to the policyholders at the date of vesting to buy an immediate annuity from an annuity provider of his choice. The industry should evolve a process, which will facilitate the customers getting the annuity from their preferred annuity provider.
- The Committee on Reforms in the Insurance Sector had

recommended that it be ensured that the life insurers do not avoid writing policies with small sums assured. The industry needs to ensure that the minimum sum assured under some simple plans like endowment assurance is such that it is affordable to a majority of the population, particularly the rural and the urban poor.

ADEQUATE INFORMATION ON PRODUCTS AND SERVICES:

Life insurance products are essentially long term in nature. The structure of traditional life insurance products is somewhat complex to comprehend and does not lead to easy decision making on the part of the average customer. The process of unbundling of the products has led to greater transparency and better customer understanding. While certain aspects of these products are common from the customer perspective, differences do exist that need to be addressed.

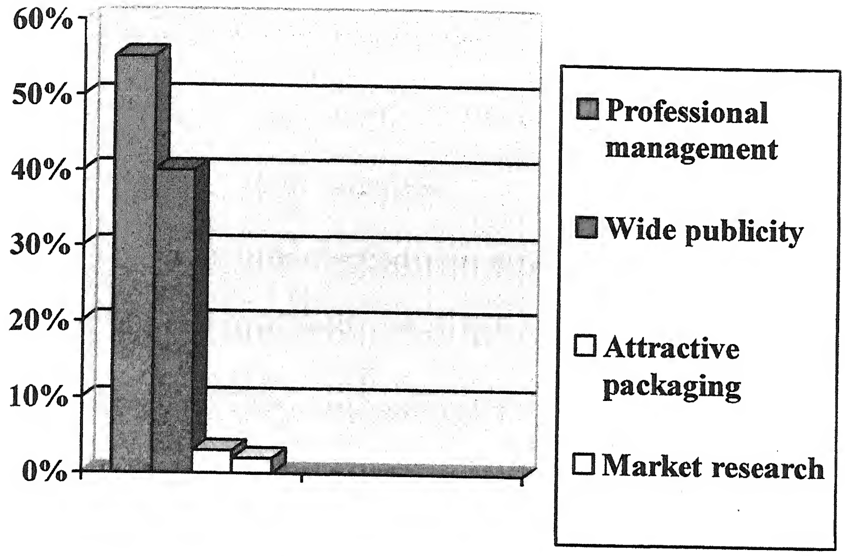
Measures taken by the company to make its policies attractive and competitive in the market.

(i) Professional management ------ 55%

(ii) Wide publicity -------------- 40%

(iii) Attractive packaging ----------3%

(iv) Market research -------------2%



An insurer always develops a set of product literature for marketing and distribution of the life insurance products. While this literature does describe the product details, it may not do so explicitly and in a manner that can both be easily understood by the customer and is informative as to the benefits in quantitative terms. The use of benefit illustration has emerged from this inadequacy. The benefit illustration should explain to the customer the benefits that he would be entitled to in different situations. While the traditional life insurance products carry financial guarantees, there are some benefits that are discretionary in nature. The illustration must demonstrate the value of discretionary benefits and guaranteed benefits separately and also show the value of discretionary benefits in the likely different economic scenarios. Under some products, certain conditions are excluded. These should be clearly brought out in the illustrations so that there are no surprises for the customers. The benefits under a product are available in consideration of payment of premium and the customers should be made aware of the changes in the benefits on non-

payment of premium at various stages during the policy term. The nature of guaranteed and non-guaranteed cash values of the product should also be available to the customer. The tax benefits available to the product need to be outlined in the illustration.

The unit-linked products that have been/ would be introduced in the Indian market are unbundled insurance and investment products with total transparency. The product pricing in a unit-linked product is confined to fixing of charges. All charges must be presented in clear language, must be comprehensively described and must be put together in one part of the policy document. The illustrations need to clearly bring out the objective of the funds set up for investment and its investment pattern, the method of calculation of unit value and the charges levied. The customers must be provided with a unit account statement at least once a year.

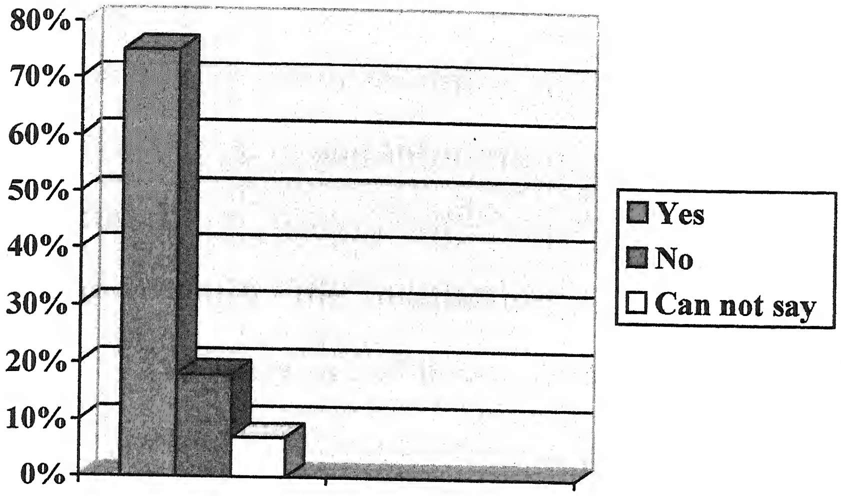
Illustrations are instruments through which the insurers can manage the expectations of the incoming policyholders as also help in effectively managing the expectations of the existing policyholders in future.

The customer satisfaction is more in private sector than in the public sector insurance companies.

(i) Yes -- 75 %

(ii) No -- 18 %

(iii) Can not say ------------------------------------ 07 %



The above response has clearly indicated that the degree of customer satisfaction has been more for the customers in the private sector than in the public sector . The factors that may be attributed are the technological use of the private sector and their dealing with the customers. They link profit with customer satisfaction whereas in the public sector do not attach so much vital importance to this theory.

INSURANCE ADVERTISEMENT:

In addition to the regulatory requirements, the industry needs to set some standards for advertisement. It would be best practice for an insurer to project in his advertisement the features of the product and its strengths and how it would meet the needs of the individuals. The advertisements should not at anytime, either directly or indirectly, try to draw comparison with the competitors products. This should best be left to the market analysts. The advertisement should make it clear that for further details

reference should be made to the company's product literature.

While the regulations do prescribe certain norms in respect of advertisements by insurance agents, the insurers would have to go beyond these norms to ensure that the intermediary advertisements do not confuse the customers.

Even though the regulations as of now are silent on the advertisements in respect of linked products it would be necessary that such advertisements carry a clear statement that unit values are subject to market risks and the unit values may go up or down depending upon the factors and forces affecting the securities market and that there can be no assurance that the objectives of the plan would be achieved.

DELIVERY CHANNELS:

Most of the life insurance products are complex in nature and require a salesperson's assistance for the customer to understand the products and the illustration. Further, with the unbundling of the products and the product packaging approach likely to take root in the market, the salesperson would require skills beyond those acquired in the process of satisfying the regulatory requirement of competence. The insurers would have to ensure that the salespersons who operate in the market have enough knowledge and skills and these would have to be sharpened by continuous training on an ongoing basis.

The investment instruments are getting complex and when the investment linked products are introduced in the market, it would be necessary for the insurers to select only such of the salespersons who are

capable of explaining these more complex investment products. While the regulations do not specify any competence level requirements for this purpose, it would be a good practice for the insurers to ensure that only those who can handle such products are authorised to sell these products. This would help the insurers in appropriately projecting the products and cases of mis- selling would be minimised.

The insurers may assist the salespersons in doing financial planning, where necessary and possible, for the clients. This can help in ensuring that the products are sold to satisfy the customers specific needs. It would also act as a record to show why a particular product/package was sold.

The consumer protection legislation in India facilitates redressal of consumer grievances for deficiencies in services. It is possible that the services rendered by the insurance salespersons may also get covered for this purpose. This necessitates that only the ones with necessary skill level get into selling of insurance, and for ensuring this, the insurers would have to go beyond the regulatory requirements.

The major part of India's population (about 74 %) live in rural area and the intention of the authorities is that the benefits of insurance liberalisation should extend to the people in rural area. It is therefore necessary that the regulations in this behalf are followed not only in letter but in spirit also.

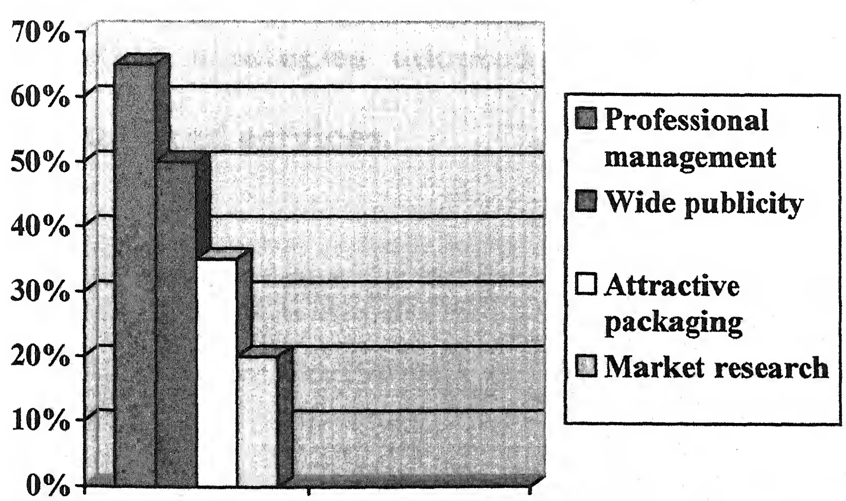
CUSTOMER FRIENDLY DOCUMENTATION:

A contract of life insurance is an asymetrical contract in the sense that both the parties to the contract, the proposer for insurance and the insurance

company do not have the same level of information to complete the contract. The insurers therefore go by the information made available by the customers in good faith and therefore a life insurance contract is termed as a contract of good faith. The insurers have to ensure that the proposal form is designed in such a way that the proposer is able to give the relevant information that would be necessary for the insurer to consider and decide the terms of the contract of life insurance. In simple terms, it should facilitate disclosures by the proposer that would be relevant from the insurer's perspective for taking decision on the proposal.

Measures taken by the company to make its policies attractive and competitive in the market.

(i)	Professional management - - - - - - - - 65%
(ii)	Wide publicity - - - - - - - - - - - - - - - -50%
(iii)	Attractive packaging - - - - - - - - - - - - -35%
(iv)	Market research - - - - - - - - - - - - - - - -20%



- The insurers should avoid seeking information, which would require knowledge beyond that which the signatory could reasonably be expected to possess.
- The proposal form should contain a caution note that if the signatory is in any doubt about whether certain facts are material, these facts should be disclosed.
- As mentioned earlier, the major part (about 74 %) of the population of India is in rural area and the insurers need to develop the proposal forms in the national/regional/language so that the customers are able to understand the provisions of the form. Further, the language of the proposal form should be such as would not cause any ambiguity.

The policy document, while taking care of the legal requirements, should be such as would be easy for a retail customer to understand his rights and responsibilities.

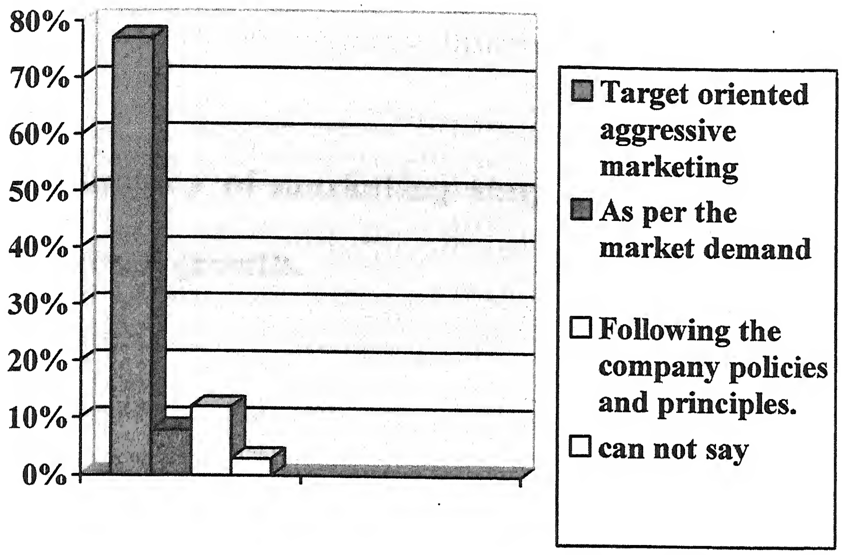
Marketing strategies adopted by the company to promote its products and services.

(i) 77 % ------------------------ target oriented aggressive marketing

(ii) 8 % -------------------------- As per the market demand

(iii) 12 % ------------------------ Following the company policies and principles.

(iv) 3 % ------------------------ Can not say



In respect of Health Insurance riders, wherever possible, to aid the customer understanding, the wording of key features and all other wordings should be in "Plain Language" provided that this does not dilute or conflict with the meaning. The wordings should be as robust as possible in differentiating between what is, and is not, covered to create a clear expectation of the scope and limitations of the cover, allow all valid claims to be paid promptly and minimise the number of disputed claims to avoid disappointments.

The draft Policyholders Protection regulations do provide for a 'free look' period, entitling a policyholder to return the policy and claim a premium refund subject to the insurer's charges and cost of risk cover provided. The industry must set norms for this process as also for deduction of charges and include those in the policy conditions.

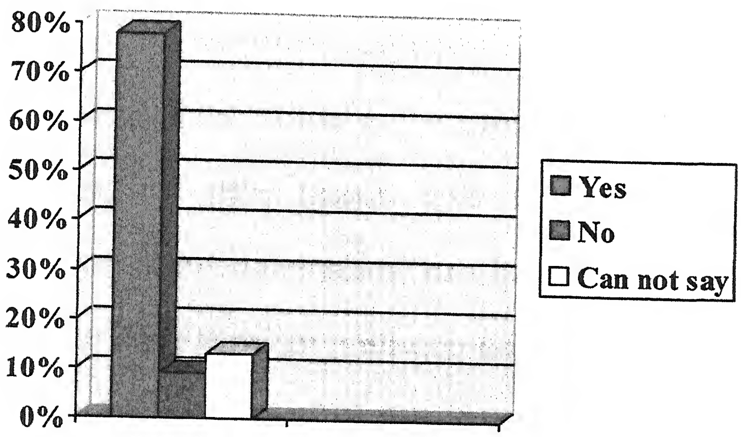
A policyholder may be given a copy of the proposal form along with the policy document. Alternately, the proposal form may include a statement that a copy of the completed proposal form would be available on request.

Sufficiency of marketing strategies adopted by the company for its future growth.

(i) Yes ---------------------------------78 %

(ii) No----------------------------------9 % (better marketing strategies are required).

(iii) Can not say ----------------------13 %



OPERATIONS PROCESSES:

- The industry may set standards for sending the premium notices, say the first notice sufficiently before the due date of premium, a notice once in two months during the period the policy can be revived without any underwriting and a final lapse notice immediately after this period, specifying the revival requirements and the benefits

acquired by the policy.

- The industry may evolve norms to ensure that in the normal course the survival/maturity benefit payment post dated cheque is received by the policyholder before the due date.
- Insurance is essentially a co-operative venture and any fraudulent claim when paid is at the cost of the body of other policyholders. It is therefore necessary that the industry evolves a mechanism for mutual help in such cases.
- The industry needs to set up a bureau for undertaking continuous investigation of mortality and morbidity of assured lives and mortality of annuitant lives. This bureau could also be used for checking declined lives across the industry.
- The policyholder needs to be provided with information about the allotment of new bonus and total vested bonus, nomination reminder, if no nomination has been made, on annual basis. This could be done through premium notice to save cost.
- It may be desirable for the industry to lay down certain norms, particularly in terms of turn around times, for customer service.

GRIEVANCE REDRESSAL MACHINERY:

The draft IRDA (Protection of Policyholders Interest) Regulations require insurers to ensure that the customers are provided with the information about the grievance redressal machinery set up by the insurers at different organizational levels and the manner in which the customers can have access to the machinery at different levels. The industry may set standards

for turn around times for redressal of different types of grievances. These regulations also provide for setting up of grievance redressal machinery by the insurers at different levels. It would, however, provide transparency to the process from the customers perspective if a person of eminence from public life is associated with the grievance redressal set up at the corporate level. The statistics of the grievances may be required to be published in the annual report.

FINANCIAL VIABILITY:

- While the Regulatory authority would, through various compliance requirements, ensure financial viability of the insurers, it would be a good practice for the insurers to provide adequate disclosure about the financial aspects of the company to the customers in the form as can be easily understood.
- If an insurer in the early years provides bonuses to the policyholders by financing the cost of bonuses from the shareholder funds, this aspect should be prominently brought out in the annual report.
- No element should be introduced in the valuation of liabilities that would accelerate emergence of profit.
- Equity may be maintained between different generations of policyholders through the terminal bonuses.
- While the regulations do not require an insurer to transfer amount from the shareholder fund to the policyholder fund to meet the deficits in the policyholders funds, the industry need to evolve the best standards for this purpose.

POLICYHOLDERS REASONABLE EXPECTATIONS:

Apart from the regulatory requirements, the insurers should ensure that the policyholders' reasonable expectations are met. While what constitutes policyholders reasonable expectations is not formally defined, there are three main areas where the policyholders' reasonable expectations are relevant in the day-to-day operations of a typical life insurance company. These are:

- The treatment of with-profit policyholders through bonus declarations;
- The bases on which unit prices and charges are determined for unit linked business; and the exercise of any discretion the company may have to alter the terms and conditions applicable to the existing policies especially in the area of charges under unit linked policies.

POLITICS AND INSURANCE IN INDIA:

Patronage-based politics engenders substantive regulation of economic activity and fiscal arbitrariness. Irregularities in the administration of justice, in administrative practice, and in taxation interfere with rational economic calculation, making it difficult for profit-making enterprises with heavy investment in fixed capital and a rational organization of labor to prosper. Government control over the commanding heights of the economy drove entrepreneurs seeking essential permits, licenses, and loans into the hands of politicians. Politicians, needing money, arranged

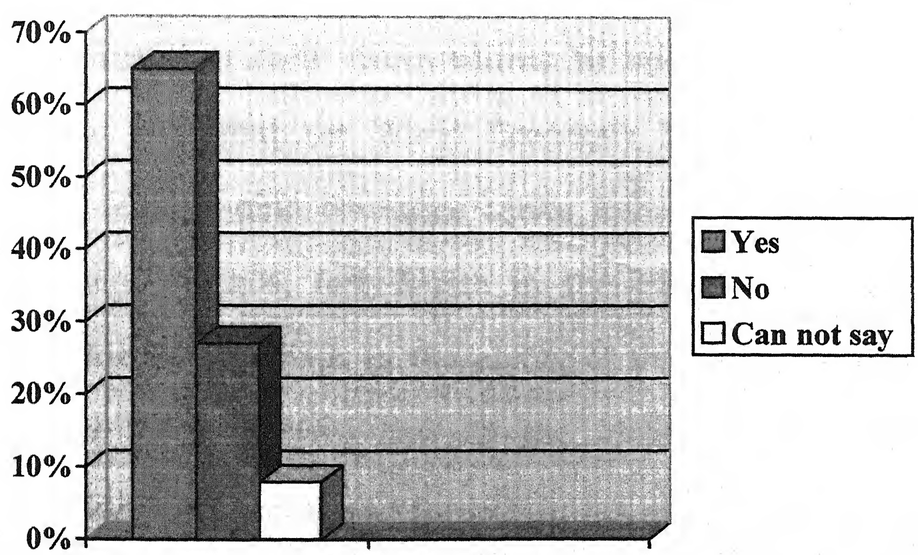
for the delivery of licenses to businesspeople who, once having offered bribes, then depended on legal protection from the police and judicial authorities controlled by the politicians. For example, prosecutors are directly controlled by ministers and are not expected to follow an independent line; therefore, politicians may prevent investigations or block judicial authorities from taking action. Because the legal system is plagued with delays and filled with political appointees, business does not see the judiciary as offering much of a check on the politicians. It is widely believed that nobody with influence is convicted. Corruption, as the Indians often say, is built into the system.

Increasing political interference in the insurance sector in India.

(i) Yes -- 65 %

(ii) No --- 27 %

(iii) Can not say -- 08 %



The respondents (65 per cent) have opined that the Indian insurance companies have been increasingly affected by the political interference in India against the 27 per cent of the respondents who think otherwise.

Politicians may ask financial institutions to support existing management in the event of a takeover threat or when the firm lacks adequate collateral, which is a frequent occurrence. Because murky deals are best for generating unaccountable funds, an absence of adequate accounting occurs. Inadequate accounting makes it difficult for firms to verify their assets; hence corporations often find they require political backers to help get the credit they need from the state-run banking system. Political parties could demand public contributions since companies are allowed to donate up to 5 percent of their net profits to political parties. The parties, however, prefer to collect money on the side so they do not seem beholden to business. In addition, shareholder endorsement of such expenditures would be necessary on the company side. As a result, company managers possess discretionary funds to obtain discretionary interventions; the shareholders and the citizens lose, but their voices cannot be heard. The system of corruption works so well that the World Economic Forum global competitiveness ranking of forty-nine countries ranks India forty-fifth in the honesty of government officials, forty-fourth in the effectiveness of laws to protect shareholders, forty-sixth in the ability of the board of directors to ensure corporate honesty, forty-fifth in the ability of the boards to protect shareholders' interests, and fortieth in tax evasion (India Today, November 30, 1996, p. 97). Corruption persists because the benefits have been concentrated among a small group of political, bureaucratic, and business

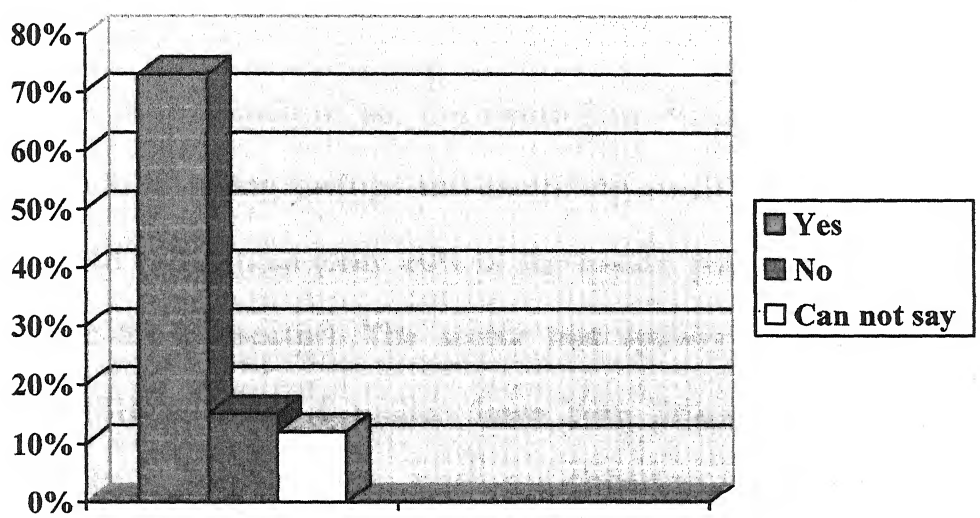
elites. The costs are diffused among citizens who lack the organization to impose an agenda for systemic reform. Although they can elect new faces, what India's voters need is a new system of accountable public administration.

Increasing the competitive strength of insurance sector by making it free from politics.

(i) Yes -- 73 %

(ii) No -- 15 %

(iii) Can not say --- 12 %



The respondents (73 %) are of the opinion that the insurance, if made autonomous and free from the political clutches will function more effectively and can be made more competitive. However, 15 % of the respondents have differed from this view point.

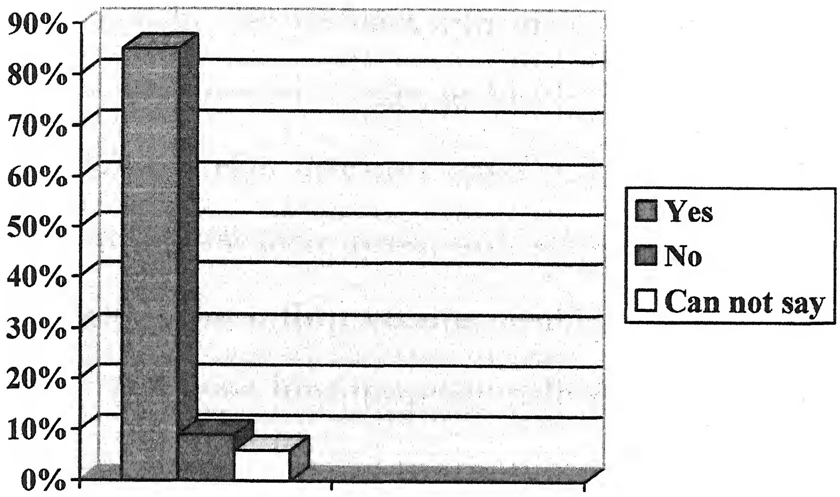
Ideas regarding trade policy have changed radically in India since the early 1990s. The attractiveness of protectionist ideas has been corrected by

experience and cross-country observation. India's planners and economists are unlikely to propose central planning again. Nevertheless, in 1997 the list of protected products still covered more than 2,700 items, the average import-weighted tariffs at 25 percent were well above East Asian averages, automatic business approvals were lacking in many sectors, the insurance sector was not open to foreign investment, and import controls on consumer durables were high. The demand for trade protection is still active because Indian firms developed structures and strategies for accomplishing goals domestically--coping with domestic political risks caused by weak policy credibility and arbitrary government discretion--which hinder their ability to compete internationally.

Over the past decade or so, the micro-finance sector has made significant progress in fostering savings and extending credit to small groups, especially women, in rural India (only 20% of the Indian populace has access to credit from the formal sector). The sector has spawned over 2 million self-help groups (SHGs) and 1.6 million have been linked with banks since 1992. Total SHG-bank linkage lending over 2004 alone was over Rs 3,000 crore (Source: Andhra Pradesh Mahila Abhivradhi Society, or APMAS). Although growth in the Indian micro-finance sector has been exceptional, concern is being expressed over issues like internal control systems, fund management, accounting and governance. In recent years, SHG federations have been mushrooming all over the country. Andhra Pradesh alone has over 30,000 federations, informal and formal. The question now is how to tweak and mesh this growth into the development process.

Financing through SHGs has certain advantages:

(i)	Yes ---	85 %
(ii)	No ---	09 %
(iii)	Can not say ----------------------------------	06 %



The advantages as cited by the respondents are that an economically poor individual gain strength as part of a group. Besides, financing through SHGs reduces transaction costs for both lenders and borrowers. While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of a SHG cut down expenses on travel (to & from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.

There is need for a new understanding and structure for micro-finance, one that looks 'beyond credit', offering solutions to the multifarious issues germane to rural economies such as micro-finance and agriculture, livelihood security, migration, insurance, rural entrepreneurship, technology infusion, market linkages, the role of agribusiness, etc. This requires a

certain degree of restructuring and innovation of approach, which is happening. The faint contours can already be seen.. At a time when interest in agriculture is waning, can micro-finance rekindle and sustain livelihoods around agricultural activities? Can micro-finance undertake this task by continuing with the present mechanism or does it call for a radical change in approach? Can we learn from global trends and tailor a model suitable for India? What are the trends, and which model is right for us?

But foreign investors have been a little wary of the political turmoil seen in the last three years, with a number of coalition governments coming and going. Since then various combinations of political parties have tasted power and none fundamentally differed in its approach to economic policy; all want to continue the reform process that began in 1991. The insurance sector reforms are an example; here, all major political parties co-operated on what is considered to be a very sensitive subject. Peak import tariffs, which were once as high as 300% when the reforms began, have been brought down to 45%. And even the ruling hard-line nationalist Bharatiya Janata Party has committed itself to bringing peak tariffs down further. Continuation of reforms in the financial sector has sent encouraging signs to international investors. These reforms are now entering the last stage. Opening up the insurance sector to private Indian as well as foreign investment is one of the last remaining structural changes to be effected, which began six years ago with the opening up of the banking system. The Indian equity markets have also been transformed from an open outcry system to electronic trading on an unprecedented scale. The National Stock Exchange (the largest of 21 exchanges in the country) now covers 251 cities

and towns across the country, linked via satellite. The stock exchanges have already implemented an electronic, paperless settlement system, totally eliminating settlement risk, once a major disincentive to foreign investors. Today, the micro-insurance sector is at the same turning point that microcredit was a decade ago. Thanks to regulatory changes, insurers can now provide both life and livelihood coverage.

FDI up to 26% in the Insurance sector is allowed on the automatic route subject to obtaining license from Insurance Regulatory & Development Authority (IRDA). The proposal to raise the level of foreign direct investment in the insurance sector from 26 per cent to 49 per cent has, as expected, caused some concern among trade unions. However, with near unanimity among major political parties on the issue, the proposal is likely to be incorporated in the Insurance Act shortly. Is it such a major issue to worry about? If not, what is the real issue at stake? In this context, it may be interesting to look at the report of the Malhotra Committee. The main recommendations of the committee were: The private sector should be allowed to enter the insurance business. The promoters' holding in a private insurance company should not exceed 40 per cent of the total. However, if promoters wish to start with a higher holding, they may be permitted to do so provided their holding is brought down to 40 per cent within a specified period through a public offering. If and when entry of foreign insurance companies is permitted, it should be done on a selective basis. They should be required to float an Indian company for the purpose, preferably in joint venture with an Indian partner. It can be seen that, contrary to popular belief, the Malhotra committee neither recommended nor opposed the entry

of foreign insurers. The intention behind the words "if and when" was to allow purely Indian companies some time to establish themselves before permitting foreign insurers to enter the market.

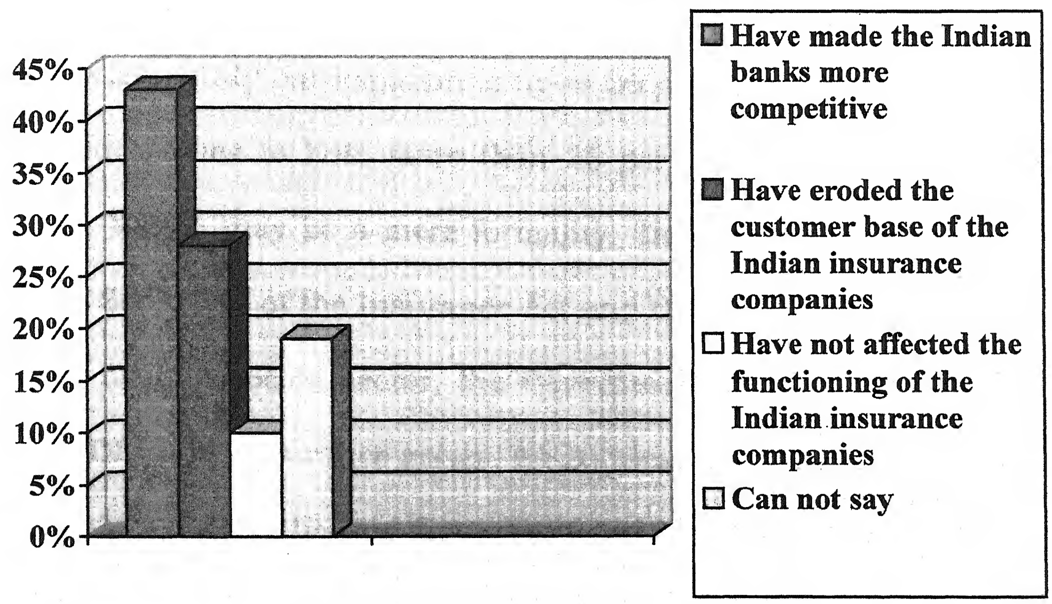
Foreign insurance companies operating in the Indian market.

(i) Have made the Indian banks more competitive ----------------------------- 43 %

(ii) Have eroded the customer base of the Indian insurance companies ------ 28 %

(iii) Have not affected the functioning of the Indian insurance companies---- 10 %

(iv) Can not say --- 19 %



The entry of the foreign insurance companies has made the Indian insurance companies more competitive and this proposition holds more for the private insurance companies than the private insurance companies.

The Government accepted all the recommendations of the committee. But, as per Sec.2 (7A), incorporated in 1999 in the Insurance Act, 1938, "a foreign company's stake in the equity of an Indian insurance company shall not exceed 26 per cent, whether held by itself or through its subsidiary companies or nominees." This means that four foreign companies can together exercise 100 per cent control over an Indian life insurance company. Though four foreign insurance companies will never like to come together, one insurance company and three non-insurance companies can easily combine and enter the Indian market. This was reinforced by Press Note 10 dated October 19, 2000 of the Department of Industrial Policy and Promotion, permitting the automatic approval route in the insurance sector if the foreign equity participation is up to 26 per cent. That is, for a group of foreign companies to hold more than 26 per cent stake, prior approval is required. Which may be a mere formality. The important point that comes out from Sec. 2(7a) of the Insurance Act and the press note is that, unlike in the case of the telecom sector, the Government did not want to place any cap on FDI in the insurance sector. No political party raised its voice against this decision during the last four years while the trade unions did not fully comprehend the implications of these provisions.

A restriction has however been placed by a subordinate legislation, the IRDA Regulations 2000, in respect of registration of Indian insurance companies. This places a cap of 26 per cent on the aggregate foreign

investment. This restriction is however temporary in nature and the Government can, at any time, direct the IRDA to amend this regulation in step with Sec. 2(7A). The impression that this is a temporary restriction is reinforced by Sec. 6AA of the Insurance Act which states, "If the promoters hold more than 26 per cent of equity capital, the excess portion has to be divested in a phased manner AFTER a period of ten years from the date of commencement of operations." The section is quite vague about the period within which the divestment has to be completed. It has also been specifically stated that this section will not apply to promoters, being a foreign company. It can be seen from the foregoing that the political fraternity has set up a clear road map for liberalisation of the insurance industry and the present move to raise the FDI limit to 49 per cent is just one of the steps in the road map. The Indian partners, in most of the new insurance companies, have already passed on total operational control to their foreign partners in anticipation of the FDI limit being raised to 74 per cent. The Finance Minister has only proposed to place a partial seal of approval on what is already a faith accompli.

The foreign insurers cannot be prevented from tightening their hold over the Indian insurance industry by just pegging the FDI limit at 26 per cent. They can take over control, whatever be the FDI limit. They can be contained only if we understand their strengths and weaknesses. Their strength is their bottomless pockets. They can invest any amount of money. Their weakness is lack of patience. They can start a life insurance company, but would prefer to expand and consolidate through a series of acquisitions. They have neither the patience nor the expertise to build an organisation,

brick by brick, over a period, as the LIC has done. How Coca Cola expanded its operations in India may be fresh in public memory. Block the acquisition route, they will cease to be a force to reckon with. This can be done by making conditions more favourable for fully Indian owned companies to enter the insurance sector and barring FDI in such companies. The present minimum capital requirement for an insurance company is the highest in the world and the solvency margin requirements, the most stringent. They have been so designed as to keep an Indian entrepreneur from entering the insurance sector on his own. What is needed is to lift these artificial restrictions on the entry of fully Indian owned companies. The trade unions should work towards lifting these restrictions rather than wasting their time in chasing the illusion of limited FDI, which is not the real issue at stake. Enabling fully Indian owned companies to enter the insurance arena will lead to development of healthy industry standards and generation of better job opportunities.

The foreign equity cap in the insurance sector remains at 26 per cent. This latest decision on the FDI front means that approval of the Foreign Investment Promotion Board (FIPB) will no longer be required for participation of foreign equity up to a cap of 26 per cent in the insurance sector, as licensing is already a pre-requisite for the entry of an insurance company and the Insurance Regulatory and Development Authority (IRDA) is empowered to grant licenses under the IRDA Act, 1999, which serves to satisfy the concerned authorities regarding pre-entry requirements. The decision is in line with the government's policy of removing unnecessary pre-entry checks on FDI and is expected to facilitate easier inflow of FDI into a

sector, which has been engaging the attention of foreign insurance majors. Since the maximum extent of foreign equity in the insurance sector, 26 per cent, has been laid down and since licensing is required in any case for the entry of any insurance company into India, it has been felt that proposals for the participation of foreign companies in the equity of Indian insurance companies need not be routed through the FIPB.

GLOBALIZATION OF INSURANCE SECTOR:

Issues: The three key issues that impinge on liberalization of insurance in India are: why liberalize, what market structure to have finally and what is the role for regulator. :

- **Reason for opening up the Insurance Industry:** An insurance policy protects the buyer at some cost against financial loss arising from a specified a risk. Different situation and different people require different mix of risk – cost combinations. Insurance company thereby offers schemes of different kinds. Among the emerging economies, India is one of the least insured countries, but the potential for further growth is phenomenal. The demand for insurance is likely to increase with rising per capital incomes, rising literacy rates and increase of the service sectors. After Korean and Taiwanese insurance sectors were liberalized, the Korean market has grown 3 times faster than GDP and Taiwan the rate of growth has been almost 4 times than that of its GDP. Further, opening of the sector to private firms will foster competition, innovation and variety of products. It will also generate

greater awareness on the need for buying insurance as a service and not merely for tax exemption, which is currently done.

Market Structure: What is the appropriate market structure for insurance markets? Should it be monopoly (state or regulated) or should there be unlimited private entry or should there only be a few regulated players? The answer is quite obvious. When traditional public sector businesses like banking, power, telecom, airlines and even postal services have been allowed private entry, why must insurance remain a state monopoly? State monopoly had little incentives to offer a wide range of products with more complex and extensive risk categorization, better technology and better customer service including faster settlements. Keeping in view the recommendations of insurance reforms committee that a limited number of high capital private companies be licensed, and no firm be allowed to operate both in life and non-life insurance, IRDA has granted licenses to three private companies on October 24, 2000 - Reliance Fire and General Insurance, HDFC Standard Life Insurance and Royal Sundaram Alliance Insurance, to set up the shop and to get into business.

Role of IRDA: IRDA's primary function is to protect consumer interests. This means ensuring proper disclosure, keeping prices affordable but also insisting on some mandatory products, and most importantly making sure that consumers get paid by insurers. Further, ensuring the solvency of insurers is a very important function of regulatory authority. IRDA has evolved a set of operational guidelines to deal with maintaining the solvency of insurers. Growth of insurance business entails better education and production to customers, creating better incentives for agents and

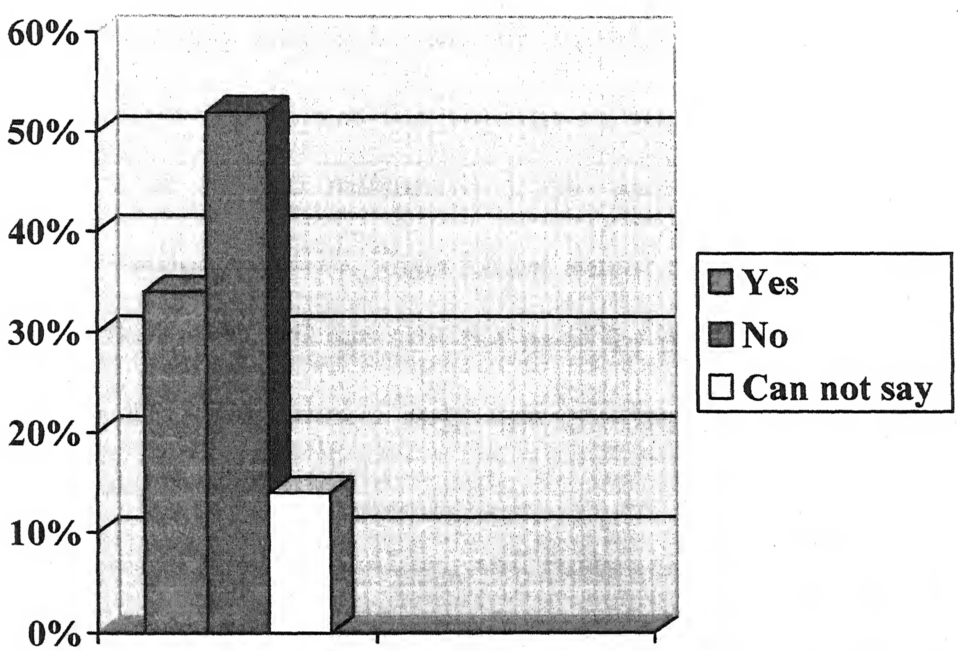
intermediaries. It has evolved guidelines on the entry and functions of such intermediaries. Licensing of agents and brokers are required to check their indulgence in activities such as twisting, fraudulent practices, rebating and misappropriation of funds.

The corporate social responsibility or the social obligation for the public sector insurance in the rural areas.

(i) Yes -------------------------------------- 34 %

(ii) No -- 52 %

(iii) Can not say ---------------------------- 14 %



Against the general conception that it is the social obligation which is the only factor for the growth of the insurance companies in the rural areas in India, 52 per cent of the respondents have not agree to this proposition.

Therefore, the social obligation may be one of the factors but definitely not the only factor for the rural insurance sector. It can be said that this is a silver linining for the private sector insurance companies who arte going the rural mode.

INSURANCE SECTOR - EMERGING AREAS:

Some of the emerging areas for insurance sector in India are:

- **Demand for Pension Plans:** Two relatively modern trends affect life insurance business in India significantly. The first one is the joint family system, which worked like an insurance arrangement. With more and more nuclear families becoming the rule, there it a greater demand for life insurance cover the second trend is that elderly are increasingly having to fend for themselves. In 1990, India had about 54 million people above the age of 60. This number is expected to increase to 100 million by 2004, and to almost 10% of the total population by 2010. Thus future senior citizens look towards planning for their own old age and the need for pensions and annuities. These two trends portend a large and growing market for life insurance in India.
- **Separateness of Banking and Insurance:** There is lot of speculation whether banks should be allowed to operate in the insurance sectors. The reasons for allowing banks are – competition would enhance efficiency and benefit consumers, public-men enjoy a "One - Stop Financial Service Paradigm", banks could recoup some of the lost business to securities firms and there would be synergies in operating

insurance and banking. The reasons against are - it would create unhealthy concentration of market power, it would expose banks to additional and unnecessary risks and banks would have unfair advantages since they have detailed information on their customers financial position. This debate is for from settled and we are likely to see some restructuring in operations of banking and insurance.

- **Role of Information Technology:** The Business of selling life insurance requires assessing the profile of the customer and assigning the right policy. This process is facilitated by a database and is completely driven by information technology. If it uses this network of database to offer their products, it would have better utilized this vastly underutilized capacity.
- **Using Postal Network:** Another important factor is allowing the existing network of 1,50,000 branch offices of post and telegraph to sell life insurances and related financial products. Already postal banks generate more deposits than all commercial banks and hence their role can hardly be overemphasized. Post offices can also act as avenues or agents of non-life insurance companies. However they cannot be expected to underwrite risks.
- **Creating Insurance awareness:** It is the need of hour to create insurance awareness among the general public. It will require a whole lot of efforts on the supply and distribution side.
- **Innovative Products:** Insurance companies should offer innovative products to tap huge amount of resources for the developmental activities. In developed economies, insurance products are sold Focus

of insurance industry is changing towards providing a mix of both protection / risk cover and long - term investment opportunities

INSURANCE SECTOR IN INDIA- FUTURE SCENARIO:

In India, only 10% of the market share has been tapped by LIC and GIC and the balance 90% of the market still remains untapped. This vast Potential can be tapped only by a large number of insurance. To serve the population of more than 100 crore Indians, Indian insurance market offers tremendous opportunities to private insurers. With the increase in the life expectancy of individuals and disintegration of Joint – family system, each individual now has arranged cover for himself and for his family. Therefore, coverage of insurers has to grow very fast.

The needs of the nation and its people have finally prevailed and privatization of insurance is now a reality towards further liberalization of the Indian economy. With the opening up of the industry after reforms, private sector operators in collaboration with their overseas partners are likely to bring in a more professional and focused approach. Hence, in this millennium, insurance industry is likely to play an important role in changing the economic landscape of the country. However the success of the insurance industry will primarily depend upon meeting the rising expectations of the consumers who will be the real king in the liberalized Insurance market in future.

Right now, the market of Insurance industry in India is just $10 billion and now Assocham (Associated Chambers of Commerce and Industry of India) has stated in a study that by 2010, Insurance will become $60 billion industry. That is 500% growth in 4 years. Is it possible? Yes, it is more than possible. India has a population

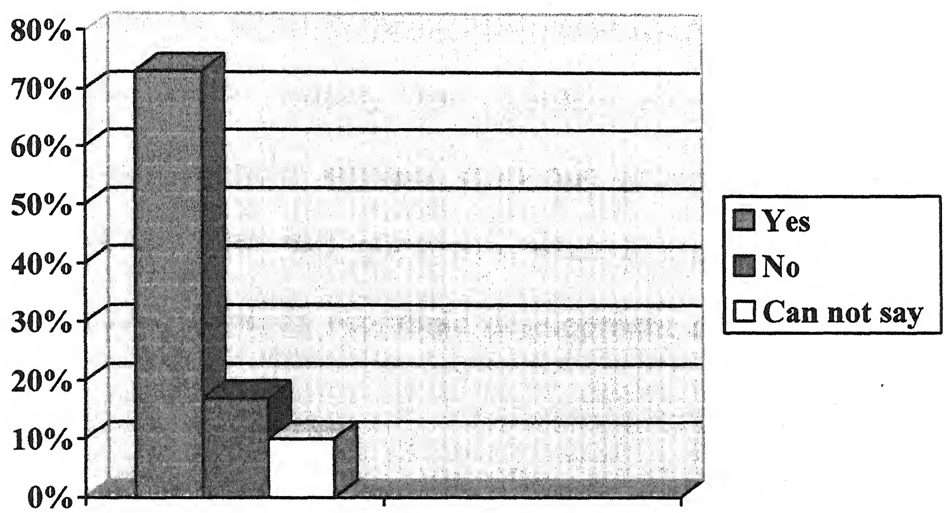
of over 1 billion and except few million people; millions of people are not insured. Especially, in the rural areas and small towns, often you cannot find any person who has got insurance in a neighborhood. This is where the revolution is gradually taking place, as thanks to the media, now rural people are even aware about insurance.

Potentiality of rural India for growth in the insurance industry.

(i) Yes -- 73 %

(ii) No -- 17 %

(iii) Can not say -- 10 %



Seventy three per cent of the respondents have agreed that the rural India has the potential for the growth of insurance industry in India and that is what paving the way for the rural orientation of the insurance companies including the private sector insurance companies.

Rural and semi-urban India will have a market size of $35 billion by 2010 and that is where the main growth is going to come. Thus, naturally, in the

coming years Insurance companies will try to cater this market with new insurance schemes. Rapid growth in Insurance sector during post liberalization period is seen as the most significant event in financial sector history of India. Since then, lot of changes took place in the sector as it was exposed to new challenges of cutthroat competition. For the first time, the private and foreign players were given entry and thus the sector saw a tremendous rate of growth in its business. A well-developed insurance sector is needed for economic development for an emerging economy like India as it provides long-term funds for physical and social infrastructure development at the same time strengthens the risk taking ability. The investment requirements for India in the coming years are well known. Thus, Insurance sector, to some extent, can enable investments in infrastructure development to help sustain economic growth of the country. In this backdrop, we raise two questions: what is the contribution of insurance sector growth towards economic development and financial intermediation in India

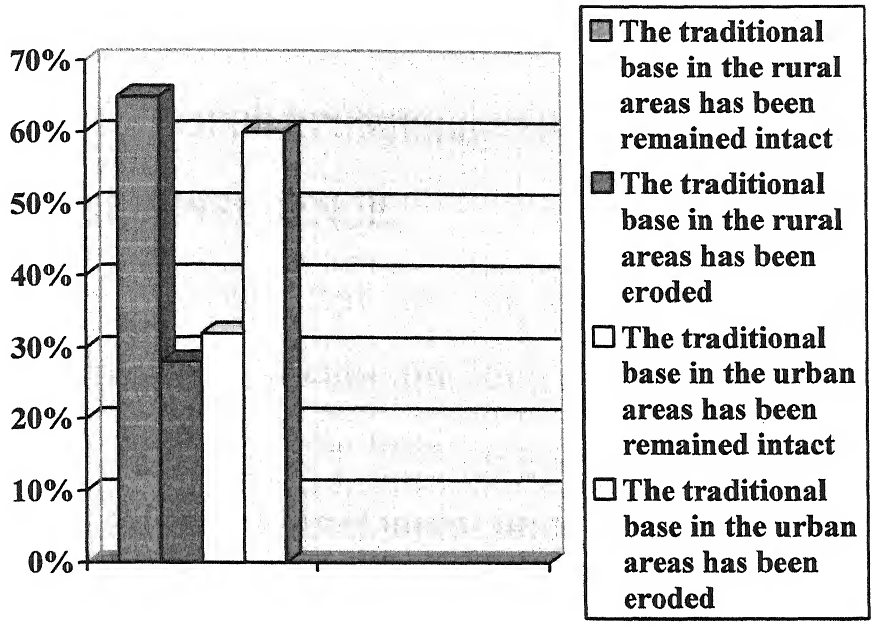
Rural urban division.

(i) The traditional base in the rural areas has been remained intact -------------- 65 %

(ii) The traditional base in the rural areas has been eroded ------------------------ 28 %

(iii) The traditional base in the urban areas has been remained intact ------------- 32 %

(iv) The traditional base in the urban areas has been eroded------------------------ 60 %



An analysis of the traditional base of the public sector insurance companies in the context of the rural urban divide has revealed that the PSU companies could be able to keep their traditional base intact in the rural areas

FEAR OF DECLINING MARKET SHARE-AN UN REALISTIC FEAR:

An often-voiced concern is that private players, especially foreign ones, will swamp the market, grabbing a large share. A similar threat was overplayed in the case of basic telephone services but still the dominance and market share of DoT has remain unaltered, even after the private players started their operations. This hypothesis that the private players would swamp the market has been disproved in many emerging markets worldwide not only in case of the insurance but also in numerous different

sectors (Power, Energy, Telecom, Insurance etc.). As GIC and LIC are strong players in their respective business segments. So they may lose some market share, but not business.

UNTAPPED OPPORTUNITIES-THE STRENGTH FOR NATIONALISED INSURANCE:

There is no doubt that the potential market for the buyers of insurance is significant in India and offers a great scope of growth. While estimating the potential of the Indian insurance market we often tempt to look at it from the perspective of macro-economic variables such as the ratio of premium to GDP, which is indeed comparatively low in India. For example, India's life insurance premium as a percentage of GDP is 1.3% against 5.2% in the US, 6.5% in the UK or 8% in South Korea. But the fact is that the large part of the India's (the number of potential buyers of insurance) is certainly attractive. However, this ignores the difficulties of approaching this population. Much of the demand may not be accessible because of poor distribution, large distances or high costs relative to returns.

BENEFIT OF BEING NATIONALIZED:

- **Distribution**: Since distribution will be a key determinant of success for all insurance companies regardless of age or ownership. The nationalized insurers currently have a large reach and presence. New entrants cannot- and does not-expect to supplant or duplicate such a network. Building a

distribution network is expensive and time consuming. This will restrict new entrants to penetrate in the market easily.

- **Variety of Product:** The product policies of Nationalized Insurance companies are varied and focus the need of Indian customer. Thus even in small village there is a Nationalized policyholder. New entrant can-not at the initial stage expect the penetration and variety of product as the small amount of policies will increase their carrying cost.
- **Trust and Faith:** Being government owned subsidiary and existent since 1956, people of India have real faith and are confident in parting their valuable savings with Nationalized Insurance Companies.
- **Large Work force of Agent:** Being in operation from 1956,Nationalised Insurance companies have large and scattered human resource, which is very important for targeting huge mass. The same will not be possible for the new private entrants in the initial years, and if so they will lack in experience and patience, which is foremost quality of an agent.

Despite of the above benefit there are many other areas in insurance sector where with planned strategy the new entrants can penetrate themselves in the market.

OPPORTUNITIES FOR NEW ENTRANTS:

The new entrants would be best served by micro-level pronged strategies.

- They can introduce innovative products offering a right mix of flexibility/risk/return depending which will suit the appetite of the customers

- They can target specific niches, which are poorly served or are not served at all.
- Being the agrarian economy again there are immense opportunities for the new entrants to provide the liability and risks associated in this sector like weather insurance, rainfall insurance, cyclone insurance, crop insurance etc.
- The financial sector is aggressively targeting retail investors. Housing finance, auto finance, credit cards and consumer loans all offer an opportunity for insurance companies to introduce new products like creditor insurance etc. Similarly, organized sector sales of TVs, refrigerators, washing machines and audio systems. Only a negligible portion of these purchases is insured. Potential buyers for most of this insurance lie in the middle class. This may be huge market for new private entrants.
- The lack of a comprehensive social security system combined with a willingness to save in India will lead to a large demand for pension products. However, current penetration is poor. Making pension products into attractive saving instruments would require only simple innovations already prevalent in other markets. For example, their returns might be tied to index-linked funds or a specific basket of equities. Buyers could be allowed to switch funds before the annuities begin and to invest different amounts at different times.
- Health insurance is another segment with great potential because existing Indian products are insufficient. By the end of the GIC's Mediclaim scheme covered only 2.5 million people. Indian products do not cover disability arising out of illness or disability for over 100 weeks due to

accident. Neither do they cover a potential loss of earnings through disability.

GROWTH OF INSURANCE SECTOR SINCE PRIVATE SECTOR ENTRY:

The gains are obvious for anyone who has been closely monitoring the Indian insurance scene. The total premium collected by the insurers both life and non-life in the year 2003-2004 is Rs.82, 415 crores (Rs.66, 288 crores in life and Rs. 16,127 crores in non-life) compared to Rs. 44, 985 crores (Rs.34, 898 crores in life and Rs. 10,087 crores in non-life) during the year 2000-2001. This represents an 83% increase in the last three years over the base year 2000-01. This is what we have witnessed after the opening up of the sector. If we take the three year block prior to the opening of the sector, we find that the total premium collected in 1997-98 was Rs.27, 089 crores (life: Rs.19354 crores; non-life Rs.7735 crores) which has grown to Rs.44, 985 by 2000-2001 representing an increase of 66%. Insurance sector has obviously started growing at a rapid pace after the sector was opened up. The private sector accounts for nearly 13% of the first year premium market. The market share of the private players has to be seen in the context of this enlarged market. There is also evidence to show that the rate of growth of public sector undertakings had not shown any decline after the entry of the private sector companies. All of them are obviously having a share of a larger market. The Credit for enlarging the market should however, go to the private sector as they came up with an aggressive marketing strategy to establish their presence.

DATA BASE:

- The total premium underwritten by life insurance companies in the country during FY2004 was Rs 18,66,939.69 lakh ($4 billion) towards 286.26 lakh policies, recording a growth in premium and policies underwritten of 10.24 per cent and 12.83 per cent, respectively over the previous year.
- The non life insurance market grew by about Rs 1,820 crore ($392.8 million) (13 per cent) to record a premium of Rs 16,130 crore ($3.4 billion), a lot of which was because of the Rs 1,700 crore ($367 million) (17 per cent) growth in the miscellaneous business such as motor, health, liability and aviation.
- The spectacular premium driver, motor grew by Rs 1,020 crore ($220 million) (20 per cent); health by Rs 270 crore ($58.3 million) (27 per cent); liability by Rs 165 crore ($35.6 million) (100 per cent); aviation by Rs 90 crore ($19.4 million) (25 per cent).
- The traditional fire business grew by Rs 195 crore ($42 million) (6.5 per cent) and engineering grew by Rs 36 crore ($7.7 million) (5 per cent).

GROWTH STRATEGY FOR NATIONALIZED INSURANCE COMPANIES:

Most of the opportunities and challenges that we have discussed apply equally to existing and new insurers. It must be emphasized that the opening of the insurance market is far from a bad thing for nationalized

insurers. With a strong presence, a wide network and considerable brand equity, they are in a good position to tap the very same segments profitably, while improving their product and service offerings. The Indian company should Leverage information technology to service large numbers of customers efficiently and bring down overheads. Technology can complement or supplement distribution channels cost-effectively. It can also help improve customer service levels considerably.

Besides this, other areas can be focused to grow and survive in the Indian Market

- **Understanding Customer needs:** Use data warehousing, management and mining to gauge the profitability and potential of various customer and product segments and ensure effective cross selling. Understanding the customer better will allow insurance companies to design appropriate and-customized products, determine pricing correctly and increase profitability.
- **High-level Training and Development:** Ensure high levels of training and development not just for staff but also for agents and distribution organizations. Existing organizations will have to train staff for better service and flexibility, while all companies will have to train employees to cope with new products and an intensive use of information technology.
- **Alliance & Tie-up:** The importance of alliances and tie-ups means that companies will have to integrate related but separate providers into their systems to ensure seamless delivery.
- **Agent Relationship:** Build strong relationships with intermediaries such as agents.

- **Market Segmentation:** They must segment the market carefully to arrive at the appropriate products and pricing and should cater the needs of every individual.

- **Revamped Marketing Strategy:** Worldwide, insurance products move along a continuum from pure service products to pure commodity products then they could be sold through the medical shops, groceries, novelty stores etc. Once commodization, popularity and awareness of the products are attained then the products can move to remote channels such as the telephone or direct mail. In the UK for example, retailer Marks & Spencer now sells insurance products. At this point, buyers look for low price. Brand loyalty could shift from the insurer to the seller.

Despite innumerable delays the sector has finally opened up for private competition. The threat of private players shaking and giving the run for incremental market share for the Public Sector mammoths has been overplayed. The number of potential buyers of insurance is certainly attractive but much of this population might not be accessible for the new insurers. Since distribution will be a key determinant of success for all insurance companies regardless of age or ownership, Indian Insurance companies should broaden the distribution network. As the product move towards the mature stages of commodization (increased awareness and popularity) they could then a host of new channels like grocery stores, direct mails. Regulators must formulate strong and fair guidelines and ensure that old and new players are subject to the same rules and at the same time the government should ensure that the IRDA does not become yet another toothless tiger like CEA or TRAI.

In a reopened Indian insurance market, regulators must formulate strong fair and transparent guidelines and make sure that old and new players are subject to the same rules. Companies meanwhile must be prepared to set and meet high standards for themselves. The big challenge for both companies and regulators is to ensure that they replicate the benefits of the past while eliminating its ills. It has been two years since the Indian insurance market has opened up, and the new entrants into the market have set up shop in every major city. The public sector companies have already established themselves in the market.

DESIGNING OF PRODUCTS SUITING THE MARKET

Using the right distribution channel to reach the customer. While the companies have been quite successful in dealing with the first of these challenges using the existing product features and leveraging the technical know-how of their partners, most are still grappling with the right channel mix for reaching potential customers.

APPROACH TOWARDS RURAL INSURANCE SPECIALISED INSURANCE POLICY:

Micro-insurance, the term used to refer to insurance to the low-income people, is different from insurance in general as it is a low value product (involving modest premium and benefit package) which requires different design and distribution strategies such as premium based on community risk rating (as opposed to individual risk rating), active involvement of an intermediate agency representing the target community

and so forth. Insurance is fast emerging as an important strategy even for the low-income people engaged in wide variety of income generation activities, and who remain exposed to variety of risks mainly because of absence of cost-effective risk hedging instruments. Although the type of risks faced by the poor such as that of death, illness, injury and accident, are no different from those faced by others, they are more vulnerable to such risks because of their economic circumstance. In the context of health contingency, for example, a World Bank study (Peters et al. 2002), reports that about one-fourth of hospitalized Indians fall below the poverty line as a result of their stay in hospitals. The same study reports that more than 40 percent of hospitalized patients take loans or sell assets to pay for hospitalization. Indeed, enhancing the ability of the poor to deal with various risks is increasingly being considered integral to any poverty reduction strategy (Holzmann and Jorgensen 2000, Siegel et al. 2001). Of the different risk management strategies, insurance that spreads the loss of the (few) affected members among all the members who join insurance scheme and also separates time of payment of premium from time of claims, is particularly beneficial to the poor who have limited ability to mitigate risk on account of imperfect labour and credit markets.

In the past insurance as a prepaid risk-managing instrument was never considered as an option for the poor. The poor were considered too poor to be able to afford insurance premiums. Often they were considered uninsurable, given the wide variety of risks they face. However, recent developments in India, as elsewhere, have shown that not only can the poor make small periodic contributions that can go towards insuring them

against risks but also that the risks they face (such as those of illness, accident and injury, life, loss of property etc.) are eminently insurable as these risks are mostly independent or idiosyncratic. Moreover, there are cost-effective ways of extending insurance to them. Thus, insurance is fast emerging as a prepaid financing option for the risks facing the poor.

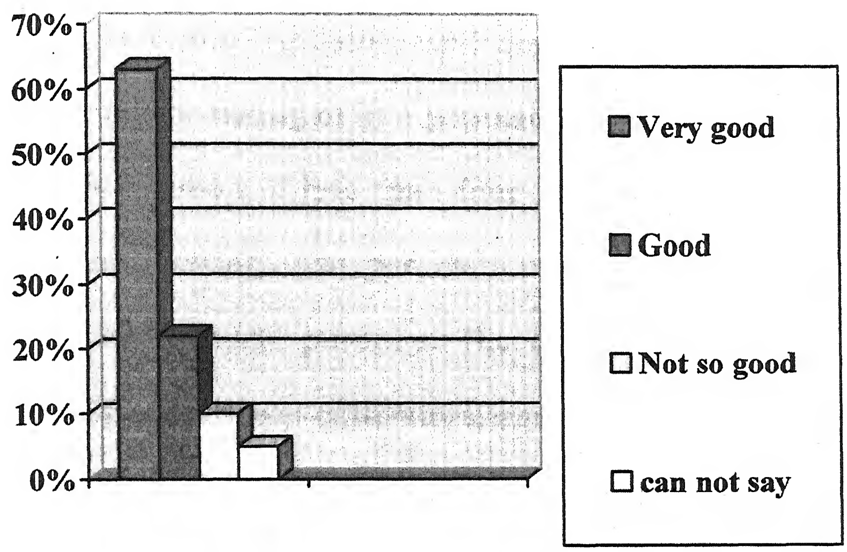
Prospect of co operative insurance sector in India.

(i) 63 % -------------------very good

(ii) 22 % --------------------good

(iii) 10 % ------------------- not so good

(iv) 5 % -------------------- can not say



DEVELOPMENT OF MICRO-INSURANCE IN INDIA:

Historically in India, a few micro-insurance schemes were initiated, either by non-governmental organizations (NGO) due to the felt need in the communities in which these organizations were involved or by the trust

hospitals. These schemes have now gathered momentum partly due to the development of micro-finance activity, and partly due to the regulation that makes it mandatory for all formal insurance companies to extend their activities to rural and well-identified social sector in the country (IRDA 2000). As a result, increasingly, micro-finance institutions (MFIs) and NGOs are negotiating with the for-profit insurers for the purchase of customized group or standardized individual insurance schemes for the low-income people. Although the reach of such schemes is still very limited-anywhere between 5 and 10 million individuals-their potential is viewed to be considerable. The overall market is estimated to reach Rs. 250 billion by 2008 (ILO 2004).

The insurance regulatory and development authority (IRDA) defines rural sector as consisting of (i) a population of less than five thousand, (ii) a density of population of less than four hundred per square kilometer, and (iii) more than twenty five per cent of the male working population is engaged in agricultural pursuits. The categories of workers falling under agricultural pursuits are: cultivators, agricultural labourers, and workers in livestock, forestry, fishing, hunting and plantations, orchards and allied activities. The social sector as defined by the insurance regulator consists of (i) unorganized sector (ii) informal sector (iii) economically vulnerable or backward classes, and (iv) other categories of persons, both in rural and urban areas. The social obligations are in terms of number of individuals to be covered by both life and non-life insurers in certain identified sections of the society. The rural obligations are in terms of certain minimum percentage of total polices written by life insurance companies and, for

general insurance companies, these obligations are in terms of percentage of total gross premium collected. Some aspects of these obligations are particularly noteworthy. First, the social and rural obligations do not necessarily require (cross) subsidizing insurance. Second, these obligations are to be fulfilled right from the first year of commencement of operations by the new insurers. Third, there is no exit option available to insurers who are not keen on servicing the rural and low-income segment. Finally, non-fulfillment of these obligations can invite penalties from the regulator. In order to fulfill these requirements all insurance companies have designed products for the poorer sections and low-income individuals. Both public and private insurance companies are adopting similar strategies of developing collaborations with the various civil society associations. The presence of these associations as a mediating agency, or what we call a nodal agency, that represents, and acts on behalf of the target community is essential in extending insurance cover to the poor. The nodal agency helps the formal insurance providers overcome both informational disadvantage and high transaction costs in providing insurance to the low-income people. This way micro insurance combines positive features of formal insurance (pre paid, scientifically organized scheme) as well as those of informal insurance (by using local information and resources that helps in designing appropriate schemes delivered in a cost effective way). In the absence of a nodal agency, the low resource base of the poor, coupled with high transaction costs (relative to the magnitude of transactions) gives rise to the affordability issue. Lack of affordability prevents their latent demand from expressing itself in the market. Hence the nodal agencies that organise the

poor, impart training, and work for the welfare of the low-income people play an important role both in generating both the demand for insurance as well as the supply of cost-effective insurance.

Clearly, health and life are two most important risks for which insurance is demanded. Indeed, at low-income level, when much of the income goes into meeting basic needs, the scope of having varying priority needs is very limited. On the supply side we observe that out of 80 odd products only 7 products are health insurance products that provide for reimbursement of hospital expenses. Admittedly, compared to life insurance, which is a relatively straightforward business, health insurance is a much more complex service as it involves addressing the provision of healthcare that is location specific. The design and sale of products are currently driven by the objective of meeting the regulatory obligation and the making of profits or reducing losses. In this situation, there is a danger of certain priority needs getting neglected by the insurance companies.

Policy-induced and institutional innovations are promoting insurance among the low-income people who form a sizable sector of the population and who are mostly without any social security cover. Although the current reach of 'micro-insurance' is limited, the early trend in this respect suggests that the insurance companies, both public and private, operating with commercial considerations, can insure a significant percentage of the poor. Serving low-income people who can pay the premium certainly makes a sound commercial sense to insurance providers. To that extent imposing social and rural obligations by insurance regulator (IRDA) is helping all insurance companies appreciate the vast untapped potential in serving the

lower end of the market. However, it is becoming increasingly clear that micro-insurance needs a further push and guidance from the regulator as well as the government. IRDA has already come up with the concept note on micro-insurance, which suggests the regulator's bias towards insurer-agent model. Even so, two areas in which having explicit provisions would aid the development of micro-insurance are: one, flexibility in premium collection, and two, encouraging micro-insurance among micro-finance institutions (MFIs). Given irregular and uncertain income stream of the poor, flexibility in premium collection is needed to extend the micro-insurance net far and wide. Moreover, MFIs are playing a significant role in improving the lives of poor households. Quite apart from this, linking micro-insurance with micro-finance makes better sense as it helps in bringing down the cost of lending. Given this, there is a case for strengthening the link between micro-insurance and micro-credit. At present micro finance business in the country is unregulated. Regulation of MFIs is needed not only to promote micro-finance activity in the country but also to promote the linking of micro-insurance with micro-finance, which as demonstrated in the paper makes a good sense.

"Since independence India has made a significant progress in various sectors of rural development. Efforts have been made to bring about rapid and sustainable development and socio-economic transformation in rural India with an integrated approach towards improving the quality of life or rural poor and ensuring equity and effective people's participation. The thrust of rural development programmes has been to make a frontal attack on poverty through special employment generation programmes, productive

asset transfer through institutional credit and subsidy programmes and programmes of rural housing, drinking water and sanitation. Strong thrust has been made for social security programmes for providing assistance to the destitute and poor families. The government has undertaken development of wastelands, desert and drought prone areas and land reforms in the country. Assistance and encouragement to voluntary agencies and training of functionaries of rural development forms part of the emphasis on accelerated rural development.

Any strategy for rural development must involve the people themselves and their institutions at all levels. The need for revitalising Panchayati Raj institutions has, therefore, been recognised as an instrument for participative planning and implementation of various development programmes at grassroot level. The government is constantly endeavouring to empower the Panchayati Raj institutions in terms of functions, powers and finance. Agriculture plays an important role in the rural development. The agricultural sector provides livelihood to about sixty-four per cent of the labour force, contributes nearly twenty-six per cent of gross domestic product and accounts for about eighteen per cent share of the total value of country's exports. It supplies bulk of wage goods required by the non-agricultural sector and raw materials for large section of industry.

RURAL INSURANCE SCHEMES IN INDIA:

It is only two years since the industry was opened up and, not surprisingly, the new comers are making losses. The public sector companies, notably the LIC, have gained in strength, thanks to the

deepening of the market consequent to the awareness created by the new companies. This, however, has not deterred the private sector, which knows know that the race is a marathon, not a sprint. They, if anything, are only increasing their spending, though only out of the capital. Thus, the jobs generated by this industry, are still in a cauldron of uncertainty. There does not appear to be a great prospect of job generation in the foreseeable future.

Today, there are 18 insurance companies in India excluding the PSUs, with 12 in the life insurance business and the rest in non-life. Each of these employs around 300 people, making it a total of 5,400 jobs straightaway. In addition, there are around 20,000 agents and some companies are looking to increasing their agency force. By November, the Insurance Regulation and Development Authority (IRDA) would have given licenses to some 200 brokerage firms. Each brokerage firm can be expected to employ around 300 people, so that's another 60,000 jobs. Then there are around 20 Third Party Administrators, each of whom may need around 20-30 people. Therefore, even at the most optimistic estimate, the new jobs in the insurance sector may not be more than one lakh - nowhere near the IT levels. And, even this estimate is too optimistic to be real. First of all, the insurance sector itself is not new in India, unlike the IT industry. The public sector companies employ around 80,000 people directly, and the LIC has an agent force of 10 lakh. It is estimated that in the coming years, PSUs will halve their workforce, and most of those whose services are dispensed with may not even be able to take up jobs with the new companies, as the new jobs would require different skill sets.

It is estimated that in the LIC, 10 per cent of the agents bring in 90 per cent of the business. Which means there are about one lakh active, full time career agents. This is not likely to be different in the case of the private sector companies too. "Ultimately, there may not be more than 300 full time agents with the new companies", says N Raveendran, Director, Alegion Risk Management Services. The rest will be people like chartered accountants and travel agents, who will look at selling a few insurance policies for income augmentation. But at the tertiary levels, the insurance industry will certainly generate more income generating opportunities. For example, all the insurance companies will have to print thousands of product and company literature. So the printers will get more work orders and the increase in the workload might generate some jobs. All the literature will need to be mailed to potential and existing customers, so the couriers will get more work. Also, the insurance companies will have to invest in the stock market, which could provide some dynamism to the stock exchanges, which again will be good for stockbrokers. But, if you look at direct recruitment by insurance companies, there is no explosion in jobs around the corner. In the coming years, with VRS gaining ground in the public sector companies, there is a likelihood of only shrinkage of job opportunities, rather than creation of new ones.

In this scenario, how should one equip oneself for a career in the insurance business? As insurance companies go more and more rural in search of business, there will be opportunities in the rural sector. Those who understand rural India better will be in demand. Already United India Insurance has started appointing one-man offices in rural areas. Since rural

India is huge, there could eventually be a large job creation here. People with actuarial skills will be in demand. Those with good mathematical and statistical skills could bone up on the insurance industry, for jobs here. Insurance companies will want to distinguish themselves by designing different products. However, the job potential here is not likely to be very high. People with a marketing background will be in demand. Not for selling insurance, which will be done by intermediaries, but for skill to set up a group of agents, train them, liaison with brokers and generally build and maintain a marketing infrastructure.

Rural India is a target market for many players in the financial sector, and insurance companies are no exception. While public sector insurance companies boast that they have already captured this area, the extent of penetration of the insurance majors into rural India is not yet clear. With the reform process, public sector banks reduced their branches in rural areas. This was not because rural branches were not viable, but because they had accumulated non-performing assets due to their inability to recover loans. To reduce this NPA burden, the PSBs offered employees a voluntary retirement scheme handshake and cut down branches to bring down overhead expenses. However, during the recent bicentennial celebrations of India's premier bank, State Bank of India, Prime Minister Manmohan Singh stated that the rural branches of banks should be restructured for the benefit of the rural poor. Finance Minister P. Chidambaram also stated that these banks should be selling many innovative products and not serve merely as collection centers for deposits.

ISSUE OF COVERAGE:

A major issue is that of product innovation for rural contexts. When private players talk about insurance for the rural market, the issue is whether they are to insure life, farm equipment and machinery like tractor and rural produce (crop). Insurance practice in India is divided into life and non-life general insurance. Non-life general insurance has products to suit crop, agricultural equipment, weather risks and so forth. However, many of these products are on an experimental basis and not pure commercial products. In micro-insurance, the product must cover health, life and protection from the loss of assets. The ownership of the scheme - a mechanism by which the insurers, the insured and the State share the costs involved - is an essential component, especially for rural insurance schemes. This is achievable through community participation in the management and implementation of the scheme, as it can reduce the element of moral hazard. Thus, ownership of the scheme is more visible in community-based health insurance and micro-insurance initiatives in India. Micro-insurance faces only a few challenges, which private insurers plan to overcome, so that the business can be made viable through product innovations and the involvement of communities at large.

CATTLE INSURANCE:

Cattle Insurance was governed under Market Agreement as devised by GIC and the rates, terms, conditions etc. all were applicable to all the four Insurance Companies. However, w.e.f May 2003, it is no longer under Market Agreement. This policy covers indigenous cross bred and exotic

cattle owned by private owners, various financial institutions, dairy farms, cooperatives, corporate dairies etc. The word cattle includes Milch, Cows and Buffaloes calves and heifers, stud bulls, bullocks and he-buffaloes and mithuns. Age group is specified for all the animals. The evaluation of the animal is done by a veterinary surgeon.

SCOPE OF COVER/INSURANCE COVERAGE:

The policy shall give indemnity only for death of cattle due to:

- Accident (Inclusive of flood, cyclone, famine) or any other fortuitous circumstances (fortuitous means accidental in origin)
- Diseases (Inclusive of Rinder-pest, Block Quarter, Hemorrhagic Septicemia, Foot and Mouth disease subject to vaccination against this disease).
- Surgical operations
- Strike riot and civil commotion and terrorism.
- Earthquake.

Policy is subject to certain standard and general exclusions. Animals are identified by way of ear tagging. The policy covers both scheme and non-scheme animals. Scheme animals are those animals, which are sponsored by the Government agencies and are financed by some financial institutions, which may or may not involve any subsidy. Master Policy arrangements are usually done with DRDA, Bank, and Cooperative Societies etc. There is a provision of Long Term Policies also.

FOETUS (UNBORN CALF) INSURANCE

Scheme

This scheme covers the risk of death of embryo/foetus due to:

- Accident (Inclusive of flood, cyclone, famine) or any other fortuitous circumstances (fortuitous means accidental in origin)
- Diseases (Inclusive of Rinder Pest, Block Quarter, Hemorrhagic Septicemia, Foot and Mouth disease subject to vaccination against this disease).
- Surgical operations
- Strike riot and civil commotion and terrorism.
- Earthquake.

The scheme is applicable to both the embryo transferred from a selected donor to the synchronized recipient or frozen embryo transferred to the recipient and also the embryo/fetus developed by artificial insemination technique. This can be covered as a separate policy in addition to Cattle Insurance Policy covering the recipient mother cow/buffalo. The cover operates from the 60th day of the transfer of live quality embryo/successful insemination and terminates from 220 +/- 5 days for cow from the date of confirmation of pregnancy or from the date of calving whichever is earlier. It is not an annual policy. The perils covered are stillbirth, abortion of all kinds except malafied or induced once. Accidental risk, include abortion under veterinary advice to save the mother in conditions like downer cow syndrome, prolapse of uterus, portion of uterus, fracture of limb etc. The sum insured is fixed and depends on the age of the embryo.

Calf Heifer Rearing Insurance Scheme

The coverage under this policy is meant for calves/heifers from one day to 32 months. The valuation depends upon the age of the cow and is fixed according the age of the calf. All terms and conditions applicable to cattle are applicable here also. Minimum coverage is taken from 12 months however this is not an annual policy.

Sheep and Goat Insurance

This scheme is also governed under Market Agreement. Policy provides indemnity to indigenous cross-bred and exotic sheep and goat against death due to accident (including fire, lightening, flood, cyclone, famine, strike, riot and civil commotion) and disease. Earthquake and landslide covers are also provided. Standard and common exclusions apply as per Cattle Policy. Animals are identified by means of small brass buttons ear tags. Animals under scheme category enjoy certain benefits in premium rate and claim procedure.

Camel Insurance

The camels are covered against death due to accident or disease as per Standard Cattle Insurance Policy. The maximum S.I. is restricted to Rs.3000/-.

Pig Insurance

All indigenous, cross-bred and exotic pigs are covered however under scheme category exotic animals are not covered. The age group is from 4 months to 3 years. The coverage is against death due to accident or disease. Exclusions as per Cattle Policy apply here also. Permanent total disablement, breeding and furrowing risks are not covered. Vaccination in

applicable diseases is compulsory. Evaluation depends upon the age of the animal. Animals are identified by means of small brass buttons ear tags.

Horse, Mule, Donkey, Pony, Yak Insurance

The Coverage is as per Standard Cattle Policy. However the age group is restricted to 2 years to 8 years.

Poultry Insurance

This is also governed by Market Agreement, amongst all the four subsidiary companies. The policy shall provide indemnity against death of birds due to accident (including fire, lightning, flood, cyclone, strike, riot and civil commotion and terrorism) or diseases contracted or occurring during the period of insurance. The word Poultry includes layers, broilers and hatchery birds, which are exotic and cross-bred. Indigenous and non-descript birds will not be insured. All birds in a farm should be covered. The scheme is applicable to poultry farms consisting of minimum 100 birds under scheme category and 500 birds under non-scheme category. In general, it is 100 broilers per batch, 500 layers per batch and 2000 hatchery birds per batch. For layers, the cover is provided from 1 day to 20 weeks, 21 weeks to 72 weeks or 1 day to 72 weeks. Broilers are covered from 1 day to 6 weeks or 8 weeks. Hatchery birds are covered from 1 day to 72 weeks. The value of the bird is fixed according to the age. The cover is provided against death of the birds due to accident or disease. All applicable cases, vaccination is a must. The valuation of the birds is arrived by a multiplying factor with the age in weeks. The multiplier is applied to the prevailing feed

cost and the day old chick cost is added to arrive at week wise valuation. Certain common and standard exclusions applied. Since all the birds are covered, there is no need for identification. The poultry farmer is expected to maintain all the relevant records like feed register, flock record on day to day basis, daily stock register, mortality, culling, vaccination, feed consumption, production, de-beaking, incidents of diseases, sales and purchase.

Duck insurance

Applicability

- All types of Migratory and Non-migratory birds in India.
- Duck farms consisting of minimum of 100 ducks for non- IRDP and 50 ducks for IRDP and other Government subsidized schemes.
- This insurance is akin to poultry insurance except the age group, which is grouped into three
- Day old to 52 weeks.
- 53rd weeks to 104th week
- 105th to 120th week

GRAMIN ACCIDENT INSURANCE:

Applicability

The Insurance can be granted to any person between the age group of 10 to 70 years irrespective of his occupation, income etc.

Benefits

- Death due To Accident Rs. 10,000/-

- Total irrecoverable loss of use of 2 limbs or Rs. 10,000/- one eye and one limb due to accident
- Total irrecoverable loss of one eye or one limb Rs. 5,000/-
- Permanent total disablement due to accident Rs. 10,000/-

Exclusions

Company shall not be liable for:

- Compensation under more than one of the sub clauses (A), (B), (C) & (D) in respect of same injury/disablement.
- Payment of compensation in respect of injury/disablement directly or indirectly arising out of or contributed to by or traceable to any disability existing on
- The date of issue of the policy.
- Death/injury/disablement of the insured from:
  1. Intentional self injury, suicide or attempted suicide
  2. Whilst under the influence of intoxicating liquor or drugs.
  3. Directly of indirectly caused by insanity.
  4. Arising or resulting from the insured committing any breach of law with criminal intent.
- Compensation arising out of war and allied perils.
- Death or bodily injury arising out of ionizing radiation or contamination by radioactivity from any source whatsoever.

Policy is available on long-term basis also and is also subject to group discount and long-term discount.

JANTA PERSONAL ACCIDENT:

This was governed by Market Agreement to be followed by all the four subsidiary companies in respect of rates, terms and conditions. However, w.e.f May 2003, it is no longer under Market Agreement. The insurance cover can be given to any person between the age group 10-70 years. The scope of the cover provides indemnity to the insured against death or disablement due to accident as per the following table:

Table of benefits

Sum Insured Payable

- Death 100% OF S.I.
- Total and irrecoverable loss of sight of both eyes or losses of use of two hands
- Or feet or loss of sight of one eye and loss of use of one 100% OF S.I. hand or foot
- Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot 50% OF S.I.
- Permanent total disablement due to accident 100% OF S.I.

Exclusions

- Any existing disability
- Death injury or disablement due to intentional self-injuries, suicide or attempted suicide.
- Disablement or death under influence of liquor or drug

- Death or disablement during racing, shooting, big game hunting, mountaineering, ice hockey, winter sports.
- Insanity.
- Breach of law with criminal intention
- War Group of perils.
- Nuclear group of perils.

Sum Insured

The policy may be issued for a minimum sum insured of Rs.25, 000/- per person per annum and the maximum sum insured is limited to Rs.1, 00,000/- and up to Rs.3, 00,000/-(subject to income proof) per person per annum. The premium is Rs.15/- for Rs.25; 000/- and sum insured shall be increased in multiples of Rs.25, 000/- and premium charged accordingly. Group discount is available for a group size of 101 and above. Long-term discount is also available for a maximum period of 5 years however the aggregate discount inclusive of long term discount and group discount shall not exceed 30%. The groups which are eligible for this discount are defined under 7 categories:

- Employer-employee relationship including dependents of the employee
- Pre identified segments/groups where the premium is to be paid by the State/Central Governments.
- Members of a registered co-operative society
- Members of registered service clubs
- Holders of credit cards of Banks/Diners/Master/Visa
- Holders of Deposit Certificates issued by Banks/NBFC's
- Shareholders of Banks/Public Limited Companies

RAJRAJESHWARI MAHILA KALYAN BIMA YOJNA:

This new scheme is being introduced to scheme covers all cross-sections of women in the age group of 10 to 75 years irrespective of their income, occupation or vocation. The scheme would benefit housewives, students, domestic labour, skilled or unskilled labour and other women engaged themselves in similar or other types of activities in rural, semi-urban areas. Since this is a low cost insurance cover, it is hoped that the Central Governments would come forward and extend all support for the implementation of the scheme. The scheme would cover death and/or disablement to women arising out of accidents all types of accidents as defined further.

- Permanent Total Disablement Rs.25,000/-
- Loss of one limb and one eye or loss of both eyes and/or loss of both limbs Rs.25,000/-
- Loss of one limb/sight in one eye Rs.12,500/-

It is further understood and agreed as under:

- In case of unmarried women, the policy will be extended to cover death due to accident as defined in the policy in which even the compensation will be payable to the nominee or legal heir. The compensation shall be Rs.25, 000/-.
- In case of married women, the policy is extended to cover the death of the insured's husband arising out of accidental death caused by external violent and visible means and the compensation is payable to

wife only. The compensation shall be Rs.25, 000/-. It is clarified for avoidance of doubt that in the event of wife

- Predeceasing the husband or in the event of simultaneous death of husband and insured wife no compensation shall arise under this extension.
- **Definition/Explanation**: Permanent Total Disablement means such disablement of a permanent nature, as incapacitates an insured for all work which she was capable of performing at the time of the accident resulting in such disablement.
- Death or disability by accident caused by external, violent and visible means would include death or permanent total disablement arising out of or traceable to slipping, falling from the mountain, insect bites, snakes and animals bite, drowning, washing away in floods, landslide, rockslide, earthquake, cyclone and
- Other commotions or nature and/or calamities, murder or terrorist activities.
- In case of women it also includes death and PTD due to surgical operations such as sterilization, caesarean, hysterectomy i.e. removal or uterus and removal or breasts due to cancer operations, death at the time of child birth provided that such death occurs during the surgical operation in hospital/nursing home or whilst being in the hospital/nursing home after such surgery convalescence. However not beyond a period of 7 days from the date of surgical operations.
- This insurance cover would be available on 24 hours risk basis and would include all types of accidents, arising anywhere i.e. at home, at

any public whilst engaged in any occupations/vocational activity and/or traveling by mode of conveyance directly caused by external and visible means in a sudden unforeseen manner.

- Premium should be charged at the rate of Rs.15/- per woman per year subject to other applicable group discounts and period discounts for longer period of insurance e.g. for a group between one lac to 2 lacs. 15% group discount would be available. For larger groups, group discount will be still higher. For a five-year period of insurance, 20% additional discount would be available. Thus the net premium payable will vary between Rs.15/- for an individual to Rs.12/0 for group up to 5 lacs. The average thus, will be about Rs.12/- for a group upto 5 lakh (Total cumulative discount not to exceed 30%).
- This insurance policy can be further extended to cover the following additional risks on payment of Rs.8/- as annual premium per woman.

KISSAN PACKAGE POLICY:

This policy contains 15 sections including tariff and market agreement sections, which will comprehensively satisfy probable insurance needs of different categories of farmers. Section 1a & b covering Fire and allied perils and burglary and house breaking is compulsory and the farmer has to opt for minimum 3 sections. If farmer opts for more than 4 and up to 6 sections a discount of 15% on non-tariff, non-market agreement premium is available. For more than 6 and up to 8 sections, 20% discount is available as above. Fore more than 8 section 25% discount as above is available.

KISAN CREDIT CARD-PAIS:

This is a Personal Accident Insurance Master Policy covering all the Kisan Credit Card holders. This will include the holders of KCC issued by the District Central Co-op. Banks, RRBs and commercial Banks throughout India. This scheme will cover all the KCC holders against Death or Permanent disability resulting from accidents caused by external, violent and visible means and occurring within the geographical jurisdiction of India. This policy will cover the KCC holders upto the age of 70 years and whose names are declared by the Banks and in respect of whom the premium is paid by the Bank to the Insurance Company for a maximum benefit of Rs.50, 000/- in case PF

- Accidental Death,
- Permanent total disability
- Loss of two limbs or two eyes or one limb and one eye and Rs.25, 000/- in case of loss of one limb or one eye (subject to exclusion).

The Master Policy shall remain valid for a period of three years effective from April 2001 and any modification/alteration shall be made at the end of three years after review of the premium and claims experience. If the claim experience exceeds 70%, the premium shall be suitably loaded. The policy can be issued for one year or three years period by charging Rs.15/- for annual policy and Rs.45/- for three years period. Service Tax is waived for this policy. The participating Banks will pay premium to designated Insurance Company on Flagship Company basis.

RURAL GROUP LIFE INSURANCE SCHEME:

Persons of rural areas between the age group of 20-50 years will be eligible under this Group Insurance Scheme. Persons who are more than 20 years but less than 40 years of age will have to pay a premium of Rs.60 per year and those who are more than 40 years but less than 50 years of age will have to pay Rs.70 per year. Persons living below poverty line will be provided a subsidy of 50 percent, which shall be borne equally by the Central & State Govternment. In the event of death of insured persons, who are below 60 years of age, an insurance claim of Rs.5,000 shall be paid to their nominated successors.

All over the country, the Integrated Rural Development Programme (IRDP) beneficiaries between the age group of 18 to 60 years are covered under a Group Life Insurance Scheme being operated by the LIC for which the entire premium is paid by the Central government. An amount of Rs 5,000 is payable to the beneficiary in case of normal death and Rs 10,000 in case of accidental death. During 1998-99, 5,896 claims were settled. The Rural Group Life Insurance Scheme (RGLIS), announced on 15 August 1995, is a group insurance scheme, which provides a life cover of Rs 5,000 for persons in rural areas. The premium payable is Rs 60 per year for those who enroll up to the age of 40 years and Rs 70 per year for those who enroll beyond 40 years and up to 50 years. The entry age is restricted to 20 years (minimum) and 50 years (maximum). Deaths occurring after 60 years are not covered. Nor is there any saving element in the Scheme. There are two types of scheme:

- General Scheme - for persons between the age 20 and 50 years where premiums are to be paid by the members in full and
- Subsidised Scheme - for persons between the age of 20 and 50 years who belong to a household below- poverty line. Only one member of such a household is eligible under the scheme where 50 per cent of the premium is shared by the Central government and State government in equal proportions. Intermediate Level Panchayats are designated as the nodal agencies for its implementation. LIC provides incentives to village level workers of Rs six for enrolment of a new member and Rs three on renewal of insurance cover for an existing member in the subsequent year. From 15 August 1997 to 14 August 1998, 3,09,252 persons were enrolled and 73,925 persons renewed their membership. Among them 2,98,917 and 70,183 persons were under subsidised category respectively 5,047 claims were settled up to 31March 1999.

Chapter-VIII

CONCLUSION & SUGGESTION

There are immense opportunities for insurance companies to provide cover for the risks associated with a primarily agrarian economy, the study says. But the insurance companies would have to understand the requirements of India's villagers, their peculiar needs and occupational structures, it adds. The insurance needed to be packaged in such a way that it appears an acceptable and affordable investment to the rural people.

A significant change and growth of 'India Insurance' industry scenario is noticed. Monopoly of Public Sector Insurance company marks an end and Private companies makes inroad. Foreign companies, both Life and General flocked, collaborated and helped astronomical growth of 'Insurance Industry in India'. 'India Insurance' growth was long overdue. Within 1st 12 months of liberation of 'Indian Insurance Industry' 10 licenses for selling life insurance products and 6 licenses for selling non-life products were issued to private companies. The Public sector giant LIC started losing its market share at the cost of stupendous growth of private players. Now 'India Insurance' industry has more than a dozen private life insurance players and 9 private general insurance companies. Aggressive and penetrative marketing strategy coupled with wide product bandwidth shows an instant success among the ignorant masses. Most of the private companies registered more than 100% growth till then and are still continuing with such monstrous growth figures. Although, 'Insurance in India' is not regarded as a basic need but it is getting popular among semi urban to rural masses. Top rank private companies like ICICI

Prudential Life Insurance, Tata AIG, Bajaj Allianz etc are aggressively researching and innovating products for huge untapped rural 'India Insurance' market. Collaboration with micro finance companies, post offices, rural banks and village management authorities for selling insurance is doing wonders. Life insurance products cover risk for the insurer against eventualities like death or disability. Non-life insurance products cover risks against natural calamities, burglary, etc. They are not as popular as life products in the ' Insurance India's' portfolio. Until very recently it had only corporate buyers, but with natural disasters like, earth quakes, tsunamis, storms and floods becoming more frequent and damaging there has been a sudden spurt in sales of general insurance amongst individuals. Consumerism of life style goods and modern amenities has also contributed to its growth. With more awareness and wide bandwidth of insurance product portfolio the growth for 'India Insurance' story will only get more competitive and more affordable to all sections of Indian society.

Besides the domestic market, the industry is presently operating in 17 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies. The wholly-owned subsidiary of GIC known as India International Insurance Private Limited set up in Singapore has grown into a leading company in the Singapore market. The gross premium income of the general insurance industry in India during 1997-98 was Rs 7,736 crore as against Rs 7,021 crore during 1996- 97 representing a growth of 10.2 per cent over the premium income of 1996- 97. The net

premium income of the general insurance industry in India during 1997-98 was Rs 6,725 crore as against Rs 6,041 crore during 1996- 97 representing a growth of 11.3 per cent over the net premium income of 1996-97. The gross profit of the industry during 1997-98 were Rs 1,623 crore as against Rs 1,084 crore in 1996-97 recording a growth of 49.7 per cent over the previous year. The net profits of the industry during 1997-98 were Rs 1,255 crore as against Rs 719 crore in 1996-97 representing a growth of 74.5 per cent over the previous year. Hut Insurance Scheme for Poor Families in Rural Areas provides fire insurance cover for huts and belongings of landless labourers, small farmers, artisans and other poor families in rural areas. Under the Scheme, compensation is provided for an amount not exceeding Rs 1,000 for a hut and Rs 500 for belongings in the hut destroyed by fire. The Central Government is bearing the entire premium in respect of the scheme. During the year 1997-98, 40,554 claims involving an amount of Rs 4.85 crore were settled. Mediclaim Insurance Policy has recently been revised. The revised policy does away with the sub-limits under the various sub-heads and offers just one sum-insured ranging from Rs 15,000 to Rs 3,00,000. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domicillary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance. Premium is calculated on the basis of age of the proposer and the sum insured opted forJan Arogya Bima Policy which is primarily meant for the larger segmentof the population who cannot afford the high cost of medical treatment,was introduced with

effect from 12 August 1996. The limit of cover per person is Rs 5,000 per annum. The premium payable is very low depending on the age of the person covered ranging from Rs 70 to Rs 140 per person per year and Rs 50 per dependent child below 25years. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domicillary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance. The existing Overseas Mediclaim Policy offering emergency medical expenses cover to overseas travellers has been extended to include In-flight Personal Accident cover up to US $ 10,000 and Loss of Passport cover upto US $ 150 from 1 April 1997.The extended cover will be available without payment of additional premium under Business and Holiday cover and under the Corporate Frequent Travellers cover. A more comprehensive policy with additional benefits has also been devised.

The insurance sector began its reform process with the passage of the IRDA bill in Parliament in December 1999. However, with the setting up of IRDA the Government has once again deregulated the sector opining it for the private players. The entry of private players has enabled the Industry to look at alternative distribution channels. To get to maximum share of the premium every Insurance Co. is adopting new distribution and marketing strategies. Presently the economy has witness some fundamental changes in the Indian Insurance Industry. The total FDI in India is now stand at Rs.81250 Crores. The total premium income of Indian Insurance Industry both life and non-life

for the year ending March 31st 2003 stands at Rs.71376 Crores, out of this the share of the Life Insurance Premium is 78% i.e. Rs.55738.11 Crores & general Insurance Premium is 22%. i.e. Rs.15638 Crores. The share of private sector in Life Insurance cake has increased from 0.02 to 1.99% in the first two years. While the share of private sector in general insurance cake has increased from 0.07 to 9.50% in the same period.

The share of Indian Insurance Industry in the total global market stood around 0.65% in 2005. The premium in percent of GDP is 2.32%. Despite the growth recorded by the Insurance sector, in the fiscal year 2002-03 there remains a gape between the potential and the actual growth figures. To tap this potential, the existing players are resorting to new distribution techniques, like bancassurace. Industry experts favour the entry of new players, per haps, with this in mind, the Govt. of India has proposed the FDI limit to the Insurance sector to 49 % in future.

In budget 2004-05the Govt. laid emphasis on infrastructure & agriculture with the need for huge investments in these sectors, the insurance sector is expected to play a pivotal role by investing in projects with long gestation period. By end of fiscal year 2004, the aggregate market share of the private players stood at 17%.

Out of the total populations of more than one billion, only seventy million are insured. The total annual life insurance premiums in India is about Rs.27,000 Crore, with the total life insurance policy holders pegged at 10 million.

Table no. 23

Country	Premiums (US $mn)	Share of World Market	Premium in % of GDP	Premium per Capital (In US $)
United States	865327	35.41	8.76	3152.1
Japan	504005	20.62	10.92	3973.3
United Kingdom	236960	9.70	15.78	3759.2
Germany	123722	5.06	6.54	1491.4
France	121910	4.99	9.40	2051.1
Italy	63062	2.58	5.80	1084.3
South Korea	58348	2.39	13.05	1234.1
Canada	46587	1.91	6.56	1516.8
Spain	37617	1.54	6.73	954.2
Netherlands	36450	1.49	9.87	2290.2
India	9933	0.65	2.32	9.9

While the public sector LIC dominates the Indian life insurance market with nearly 80 per cent of the market share. It has 248 branches, 115,000 employees and over 1 million agents. It has also been improving internal processes and systems, upgrading skills of its agency force and managers and developing innovative products. LIC sold 1.69 crore policies during the year compared to 18 lakh policies sold by all the private players.

ICICI Prudential is the leader among the private players with a market share of 6.69 per cent after its premia collection totaled Rs 11.54 billion. Bajaj

Allianz with sales of Rs 4.9 billion had a market share of 2.86 per cent. Birla Sun Life with sales of Rs 4.8 billion had a market share of 2.81 per cent and SBI Life with premium collection of Rs 3.9 billion, a market share of 2.29 per cent. With its combination of aggressive marketing through an agency force and the use of the banking channel, ICICI has emerged as a key player. Initially, the company drove new business by opening branches in new locations. The focus has now shifted to penetrating these locations for increasing market share. The company is also trying to get higher penetration in the High Net Worth segment. The company has seven bancassurance partners and this is the largest contributor to non-agency business. It also has 15 key non-bank partners and 800 financial sales consultants. As of September 2004, it had 90 branches in 60+ locations. It took the initiative in launching non-traditional products such as life-stage products, retirement solutions and child plans. It also focused on Unit Linked Plans (ULIPs) to target new consumer segments. It has a presence in 15 states through partnership arrangements and as of 2003-04, it sold 64,764 policies in rural areas.

HDFC Standard Life has established its branches in 110 locations and is targeting non-metro towns. It is hoping to leverage its "pedigree/parentage" to gain more customer acceptance. As a result, it is focusing on quality – not just volume growth. It has developed some innovative products like the Loan Cover Term Assurance Plan which provides a lumpsum in case of death of the assured life during the term plan. Aimed at the growing segment of home loan takers, the plan helps the family to repay the outstanding loan. Given that

HDFC has a huge database of home-loan customers, it can easily tap into this resource to acquire new business. The compnay is leveraging its large customer database of home loan and banking clients to cross-sell insurance products.

Birla Sun Life was the first to offer ULIPs in the Indian insurance market. And this has been the primary driver of its growth over the last one year. The company has been investing in customer education and feels that as a result customers don't view ULIPs as mutual funds but long term insurance. As of 2004, the company had 33 branches, 10,274 agents, 79 corporate relationships and 10 bancassurance partners.

Bajaj Allianz has been focusing on second tier towns and cities which are yet to witness the entry of other life insurance players apart from LIC. It is using first mover advantage by opening an office in the most prominent location in a non-metro town. It hires local people who are trained. Its mantra is to develop only the indispensable infrastructure so that it can match the pricing of LIC. Apart from that it claims that it is the only private player to provide policy servicing at the branch level. Standard Chartered is currently its biggest partner followed by Syndicate Bank and Centurion Bank. The biggest challenge that the company faces is the weak infrastructure – particularly transport and communications – in the smaller cities. It is also facing a challenge in terms of banking channels, particularly for customers who bank with cooperative banks, where delays in clearing cheques are inevitable. Tied agencies comprise the biggest channel (68%) of new business acquisitions for

Bajaj Allianz. Bancassurance (27%) is the other significant channel of growth for the company.

It is found that the buyer of the insurance products also looks at them as the investment products. This is an issue of conditioning over the period of time and therefore, the customers of the insurance products are both the customers of the risk protection and the investment products. That leads to the insurance sector competing with the other avenues of the investment including banks, financial institutions and investment companies. Today, financial markets are turbulent, globally. Traditional business models, when businesses were clearly differentiated (Banks conducted banking, insurance companies offered risk covers and securities companies offered investment opportunities), have become the footnotes of the finance literature. Today, insurance companies are exploring values in the banking and investment products and vice versa. It is no more a bank competing with another bank and insurance company competing with another insurance company, but an insurance company competing with banks and what not. Hence, to my mind, the most precious word today is the "convergence" of the opportunity zones in financial markets from concept to culmination. The structure of the players in different opportunity zones is also changing on continuous basis. Corporate marriages, exchange's mergers, clearing corporations alliances, regulator's integration, globally, bear testimony to it. Convergence of the financial products is also apparent, everywhere. Today, investors are perceived as not just as the investors but buyers of the financial solutions. Therefore, the philosophy of

customer being king is driving the financial markets as well. Accordingly, it is no more customers chasing the products; it is the appropriateness of options chasing the customers. Today, financial institutions are co-designing the products/services with their customers and striving to provide them with global solutions. Simplification of the customers' life is being priced by the market.

Insurance has to be sold the world over, and the Asian Market is no exception. The touch point with the ultimate customer is the distributor or the producer (as they are known in certain markets), and the role played by them in insurance markets is critical. It is the distributor who is makes the difference in terms of the quality of advice for choice of product, servicing of policy post sale and settlement of claims. In the Asian markets, with their distinct cultural and social ethos, these conditions will play a major role in shaping the distribution channels and their effectiveness. In today's scenario, insurance companies must move from selling insurance to marketing an essential financial product. The distributors have to become trusted financial advisors for the clients and trusted business associates for the insurance companies. This calls for leveraging multiple distribution channels in a cost effective and customer friendly manner. The distinction of channels in the developed markets is: personal distribution systems and direct response systems. **Personal distribution systems** include all channels like agencies of different models and brokerages, bancassurance, and work site marketing. **Direct response distribution systems** are the method whereby the client

purchases the insurance directly. This segment, which utilizes various media such as the Internet, telemarketing, direct mail, call centers, etc., is just beginning to grow.

In today's Indian insurance market, the challenge to insurers and intermediaries is two-pronged:

- Building faith about the company in the mind of the client
- Intermediaries being able to build personal credibility with the clients

Traditionally tied agents have been the primary channels for insurance distribution in the Indian market; the public sector insurance companies have their branches in almost all parts of the country and have attracted local people to become their agents. The agents are from various segments in society and collectively cover the entire spectrum of society. A person who has lived in the locality for many years sells the products of the insurance company with a local branch nearby. This ensures the last mile touch point being closer to the customer. Of course, the profile of the people who acted as agents suggests they may not have been sufficiently knowledgeable about the different products offered, and may not have sold the best possible product to the client. Nonetheless, the customer trusted the agent and company. This arrangement worked adequately in the absence of competition. In today's scenario agents continue as the prime channel for insurance distribution in India, as is the case in most markets, supported by call centers to a small extent. Almost all the new players follow this model primarily because the regulations for other channels are yet to be put in place. However there is great excitement in the

industry over the impending broker regulations, and companies are planning possible channels in their enthusiasm to increase volumes. The belief that all these channels will grow and seamlessly integrate to bring in business seems a fallacy. What has emerged is a much more difficult and evolving market scene with existing players, more new players coming in, and global marketing practices and ideas being tested. But none of this has changed the fundamental character of the market, which we believe will take more time than expected.

Basically companies have to take a look at the intermediaries they are using. The new companies have attempted appealing only to the middle, upper middle and elite classes in the major cities. Contrasted with Public sector insurance companies, with their offices across the country, the new companies have miles to go before they reach anywhere. They must overcome the mindset of the customer that life insurance is Life Insurance Corporation of India (LIC) and general insurance is General Insurance Corporation of India (GIC) if they hope to grow in the market. Meanwhile, the public sector companies are going to great lengths to revamp their image to look and feel more contemporary.

Both the public and new private sector companies are fighting their own battles from the perspective of customer perception management. In this process all are targeting the same market --the existing pie is being cut up further, but no attempt is being made to increase the size of the pie. For example, while attempts are made to complete the quota of rural insurance in percentage terms, the rural market potential is yet to be tapped, as the new insurers are

not able to attract the right kind of talent into their distribution force to address this intelligent.

The past 5-6 years have seen a boom in the number of insurance companies in the private sector. The competition has affected the insurance industry. The increase in the number of companies has affected the insurance penetration in India. It has certainly affected the existing PSU insurance companies and market share has come down. The private companies have taken about 26% of the market share. All the PSU's put together have already lost around 74% of the market share. This means that the cake has not expanded as expected. But the existing cake is being shared and the companies are eating into existing fellows' market share which is not a welcome step. Except for health insurance, the market has hardly expanded about 5%. But the companies are very young so, hopefully, the market will expand with increasing experience. Though I am convinced that owing to absolute freedom to price and devise own product, detariffed market is set to expand. LIC is the oldest and the most experienced player in the market. As per data the growth of LIC has been quite substantial in the past year -- around 48% despite the presence of new players. But one worrying factor is that the number of policies sold and the number of lives covered has come down compared to the previous years. LIC has a very big advantage of being the leader of the insurance sector. It has huge investment and financial strength. Owing to its bigger size it has the best advantage of pricing as well as getting the better investment returns which can subsidise its original

insurance product. Therefore, like SBI continues to be the market leader despite of so many private banks coming, LIC will continue to play a very big role and it is not easy to destabilize it. It has lakhs of agents and has an enormous size and is less likely to be affected. But of course it is being challenged and has been put on its toes.

The emerging trends in the insurance industry in terms of product innovations can be visualized. Several private players have ventured into the insurance industry for the last four years and the growth of the industry has been averaging around 15%. In the first year it was 100% but now it has gradually tapered down to 15%. On an average it is around 10% to 15% per annum. The life insurance industry has led the growth in the insurance sector. The growth is mainly due to unit linked products which are very akin to mutual funds product. They are looked upon as investment returns. So, they involve a very small element of risk coverage. Perhaps that is the reason they have picked up fast.

In General insurance growth has come in the form of personalized business like health insurance and the motor insurance. More innovations have come in segments like overseas travel insurance policies. The procedures have been simplified. Similarly in health, several products have come up and many modifications have been introduced. Some companies have packaged some of the policies and they are giving extended coverage. The main bottleneck to innovation is that even today 70% of the market is tariffed. So one cannot issue a policy other than what is specified in the tariff. More

innovations will come once the entire market is detariffed. Only then different products can be introduced. For example, more innovative health insurance products can be introduced to suit the common people and different age groups.

Bancassurance concept is coming in practice. Bancassurance means issuance of insurance policies by banks. This is a system in which a bank has a corporate agency with one insurance company to sell its products. By selling insurance policies bank earns a revenue stream apart from interest. It is called as fee-based income. More and more banks are going into more and more non-interest based income. This is because interest is market driven and fluctuating and quite narrowing these days. Banks do not get great margins because of the competition. Most of the banks today are selling other products such as mutual insurance, money transfers through Western Union and so on. They are also selling insurance products - life as well as general.

Bancassurance was quite successful in France where it started and then spread over all other places. Today, it is said that only 1% of the total business is transacted through the banks. The greatest advantage of bancassurance is that an insurance company can piggy ride on the strength and reach of the banks. In India around 67,000 branches are there for PSU banks alone. If all 67,000 branches sell the insurance products the reach can be seen. So, that is one method of penetrating the market. There is also another method called 'Bank Referral'. Here the banks do not issue the policies, they only give the database to the insurance companies. The companies issue the policies and

pay the commission to them. That is called referral basis. Whichever way it is, the ultimate thing is that the insurance company has access to the data and details of the bank.

Bancassurance can improve the insurance penetration in India. Banc assurance is one mode which can definitely improve the insurance reach especially in the rural areas. For a new insurance company, setting up a large reach is quite expensive. Bancassurance is an automatic way of getting the reach at least cost. This is a very strong model suggested for penetration. But till today in Asia, as per statistics, 91% of the insurance is done through agents. This is because people here still believe in face to face interaction rather than on paperless interaction. As an alternative to the face to face interaction, banks would be able to sell insurance products better.

Bancassurance has a good potential to grow in India. They have been quite successful with life insurance products the world over as compared to the general insurance products. This is because life is more akin to investment. The customer is likely to pick it up faster than non returnable non-life insurance. Reach can come through the brokers also. The broker institution has come to India only three years back. I feel the brokers can have more work when the markets get de-tariffed. They can appoint more sub-brokers, which is another way to increase penetration.

Apprehension about the entry of foreign insurance companies is that they will focus only on the relatively rich parts of the country and the rural areas

will be left for the Government-run companies. This apprehension is not justified. Generally companies conduct a comprehensive evaluation of the market in India. They go beyond the markets in the metros. Also, I don't think it is correct to see it in rural and urban terms alone. They think that this debate will prove to be futile because there is enough evidence to suggest that the rural market cannot be ignored. Look at the way foreign companies advertised their products during the recent Kumbh Mela in Hardwar. Foreign and Indian brands were jostling for a slice of the market which is considered rural. Study has shown that the paying power of rural populace is on the rise. In fact the insurance products are in direct competition with consumer goods. With the same disposable income, the individual will have to make a choice between spending now or saving through insurance products to spend later. Insurance companies will finally go where business lie.

The paying power of the non-urban areas may be on the rise, but they still cannot afford highly-priced products. Many foreign consumer goods companies have come to grief for not reading the spending patterns of the consumer correctly. They will avoid these mistakes. The pricing of a product in life insurance depends on three parameters. The mortality rate; the investment earnings; and the operational expenses. Insurance companies depend on the earnings from their investments for survival. The returns possible from investments in India will also depend on how well the economy is doing. Of course, any company will have to keep their operational expenses down to boost their bottomline.

The indications are that the Government will allow only a minority stake to a foreign partner in a joint venture in the insurance sector. The respondents think that the Malhotra Committee report sets out all the important parameters for the entry of foreign companies in India. They will go by it.

India continues to be a developing country and large sections of the population do not have enough money to make their ends meet; hence insurance is generally their last priority. There is still a sizeable section of the population which is capable of insuring, but is not being insured. The most important reason is the credibility gap which has to be filled up. They have to be convinced that if they pay the insurance premium they will be paid their claims at the time of need. Their confidence levels have to improve. This will happen if the grievances are addressed properly and customer service increases with the guarantee that all the claims will be settled maximum in a week's time; at least the smaller claims. This will give the customer's confidence a boost. If the customer service improves and the credibility gap narrows it would be good selling point and with more and more players coming, this will expand the market.

Once again insurance companies are piggy riding on other institutions like banks to sell their insurance. The world over insurance is sold rather than bought. Nobody feels the need to go and buy, whereas in any other commodity you go and buy it. That sort of development has not taken place in insurance. It is felt that insurance companies are targeting metropolitan cities rather than

rural India and this is one of the reasons of low penetration. This is not very true because each PSU has got 900 offices. There is an office in almost every district. But selling insurance in rural areas is not an easy job. First a low priced product is to be offered to suit the rural people. When it is low priced the agency would not get a high commission. The agents because of low commission may not be inclined to sell such policies. So there is a mismatch between the price and the policy as far as individual sales is concerned. Therefore, the only method suited for rural, semi-urban sales is group sales. For instance, group mediclaim, group personal accidental insurance, group farmer insurance and so on. Companies have to reach them through institutions like NGO's and self help groups to market these products. It is the only way to spread it to the rural areas until all of them become semi urban and the paying capacity improves. It is tough and perhaps it may take a little longer time. There has been a lot of discussion in the recent past to raise the cap on FDI which is 26% at present. If an outsider is allowed to come and play in the Indian market, naturally they are permitted to have full capital say in that. It is not unfair to allow them to have 100% equity if they want. Today, even though the local partner has got 74% share, the entire management is in control of the foreign insurance market. So when he wants to put in the money, on the basis of assessment, I find that he should be allowed to do so.

It has been estimated that close to 6 lakh new jobs have been created in the insurance sector in the post-liberalization era. Selling insurance policy is all about general knowledge. So a person who is just a graduate with a good

aptitude towards sales and marketing can join the insurance industry. I find that the person should have the right aptitude and then interest in the insurance field. Though one can qualify through some of the insurance examinations, even a simple graduate has scope for promotion in the insurance field. PSU insurance companies have already been overloaded with more people. Trained people are not being recruited off late. Perhaps specialized people can be recruited in actuarial sciences. Sometimes IT professionals are also recruited. Other than insurance companies as such, there are several auxiliary services that will crop up as the insurance world expands, for exmple, risk management institutes, risk management companies and brokers. Moreover, there are various allied services such as third party administrators to service the clients and there could be some client's management officers too.

Many new players have come into the insurance sector and each of them has opened up a number of offices. So they need to employ many people to man the offices. Apart from that, companies are also focusing on the recruitment of large number of agents. When one works as agent the remuneration is in his hands. The more policies one sells the more commission one can earn. Once grown up as a successful agent there are chances that the same company may appoint as its permanent employee. Even advertisements appear every month for agents.

Apart from that several insurance jobs, like policy issuance, are being outsourced to India from the countries like the U.K. and the U.S. If a policy is

to be issued it costs about 5 to 7 pounds in U.K. While it costs much less, about 1/10 th of the entire amount, in India. So all the policies to be issued can be transferred to India and be issued from here. It can also be generated online. In short, most of the routine jobs are being outsourced here including some of the legal works. I have an appeal for the people who want to join the insurance sector, including those having simple graduation. "Get into the insurance subject and learn more about it through several insurance books available in the market. educate yourself more to have an edge".

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